

FBIS**DAILY REPORT
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BEIJING RADIO EXPOUNDS INDEPENDENT FOREIGN POLICY

OW270554 Beijing Domestic Service in Mandarin 1150 GMT 26 Dec 85

[**"International Current Events Program"** feature by (Zhou Zunlan) of the International Relations History Institute of the Foreign Affairs College: "China's Independent Foreign Policy for Peace"]

[Text] China is a developing socialist country and the people of China are working for the modernization of their country. This fact determines that China pursues an independent, peaceful foreign policy. The policy is based on scientific theories of Marxism-Leninism-Mao Zedong Thought, and proceeds from the fundamental interests of the people of China and the rest of the world.

China's independent foreign policy for peace consists of three basic aspects: One is to persist in opposing hegemonism and safeguarding world peace. Next is to establish and develop friendly relations with all countries of the world, on the basis of the Five Principles of Peaceful Coexistence. The third aspect is to strive to strengthen unity and cooperation with Third World countries.

To oppose hegemonism and safeguard world peace are correlated and inseparable. The main threat to world peace comes from hegemonism and from rivalry between the superpowers. In order to safeguard world peace, we must oppose hegemonism in all forms, and in particular, we must oppose the contention for world hegemony between the superpowers. If the people of the whole world truly unite to struggle against all expressions of hegemonism, world peace will be safeguarded. We resolutely advocate that all nations should be equal, whether big or small, rich or poor, strong or weak. Big, rich, and strong countries should not bully small, poor, and weak ones. China will never be a superpower, nor will it ever seek hegemony. However, we shall never yield to pressure from hegemonism or power politics. We oppose both the superpowers' hegemonism and regional hegemonism.

Three decades ago, China and some other countries jointly proposed the implementation of the five principles of mutual respect for sovereignty and territorial integrity, mutual nonaggression, noninterference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence. In the last 30 years, we have established and developed friendly relations with various countries persistently, on the basis of these principles. Practice proves that the Five Principles of Peaceful Coexistence are applicable not only to countries of different social systems, but also to countries of the same social system. Adherence to the Five Principles of Peaceful Coexistence will enable countries of different social systems to live in harmony and friendly cooperation. If these principles are violated, even countries of the same social system are likely to be in confrontation or even to clash with each other.

China is a socialist country under the leadership of the Communist Party. We firmly believe that communism will eventually be realized throughout the world. Nevertheless, revolution cannot be exported, and it can only be the result of a free choice of the people of various countries. It is because of such a conviction that we always adhere to the Five Principles of Peaceful Coexistence, and strive to develop friendly relations with all countries.

To strengthen unity and cooperation with Third World countries is the basic point of departure in our foreign affairs. We always regard it as our international obligation to defend the rights and interests of the Third World. We resolutely support their struggle to defend national independence and develop a national economy. In the course of developing a national economy, we attach importance to economic and technological cooperation with the Third World. Our friendship with the Third World is sincere. Whether in providing aid or cooperating for mutual benefit, we have always strictly respected the sovereignty of other parties, attaching no strings.

We strive to do whatever is beneficial to the unity of the Third World, and will definitely not do anything detrimental to that unity. Comrade Deng Xiaoping has pointed out: Independence and self-reliance have always been, and will always be, our basic stand. While we Chinese people value our friendship and cooperation with other countries and other peoples, we value even more our hard-won independence and sovereign rights. No foreign country can expect China to be its vassal, nor can it expect China to accept anything harmful to China's interests. Independence and self-reliance are basic principles of our foreign policy. We shall never attach ourselves to any big power or group of powers at any time or under any circumstances. Nor shall we enter into alliance or develop strategic relations with any big power.

Comrade Hu Yaobang pointed out: As far as we are concerned, alliance with big powers has two disadvantages. First, China wants to have exchanges with all countries on the basis of the Five Principles of Peaceful Coexistence, and an alliance with big powers would likely obstruct, or at least adversely affect, our friendship with other countries. Second, it would prevent us from boycotting impermissible acts the other party might commit, and would even enable the other party to use us to oppose other friendly nations. This is a conclusion we reached after summing up experience over several decades. Non-alliance with big powers is our long-term policy, one which the people throughout our country support.

We proceed from the fundamental interests of the people of China and the rest of the world, and make judgments and decisions independently in international affairs. The basic criterion for our judgment of an issue is whether it helps safeguard world peace, promotes economic prosperity in the world, and develops friendship among the peoples of all countries. We uphold justice in international affairs. We are not swayed by expediency, nor do we barter away principles. We resolutely support the struggles waged by the people of various countries against imperialism, hegemonism, colonialism, and racism. We support them in opposing foreign aggression and interference, and in defending their own national independence and sovereignty, no matter which imperialist or hegemonist is the target of their struggle. We shall never tolerate acts of aggression or interference by certain big powers merely to retain bilateral relations.

In handling our relations with the United States and the Soviet Union, we shall not abandon our position of opposing hegemonism in order to improve bilateral relations. At the same time, we shall not hurt the interests of either of them to improve relations with the other. China will play neither the American nor the Soviet card.

With progress in our foreign affairs and the development of comprehensive international exchanges in recent years, we have made timely readjustment, improvement, and development in some specific policies and measures in our foreign affairs to meet the changes in the international situation. As a result, our independent foreign policy for peace has become perfect, clearer, more definite, and practical. China is enjoying higher and higher international prestige daily, and it is yielding more and more influence and playing an ever greater role in international affairs.

XINHUA REPORTS DPRK'S KANG SANG-SAN'S USSR VISIT

Departs for Moscow

OW241814 Beijing XINHUA in English 1449 GMT 24 Dec 85

[Text] Pyongyang, December 24 (XINHUA) -- Premier of the Korean administration Council Kang Song-san left here today for an official goodwill visit to the Soviet Union, according to Korean Central T.V. station. This is Kang's third trip but first official visit to USSR since he became premier in January in 1984. Member of the Political Bureau of the Workers Party of Korea, Kang will have talks with Soviet leaders on trade and economic co-operation between the two countries, and agreements might be reached.

Kang Song-san and his entourage were seen off at the airport by Korean Vice-President Yi Chong-ok and Vice-Premier Hong Song-yong.

Talks With Ryzhkov

OW250254 Beijing XINHUA in English 0238 GMT 25 Dec 85

[Text] Moscow, December 24 (XINHUA) -- Soviet Premier Nikolay Ryzhkov and his visiting Korean counterpart Kang Song-san began talks here today on furthering their two countries' economic cooperation. Their talks covered wide-ranging issues concerning the further expansion of relations between the two countries, the Soviet news agency TASS reported. Kang arrived here today for an official visit.

At the talks, the two sides shared the desire to enhance their cooperation which has grown vigorously. Their discussions focused on boosting bilateral economic ties in the next five years and further and new goals were outlined in this respect, TASS said. A protocol on economic and trade cooperation during 1986-1990 was signed by the two sides. The document envisages greatly increased barter trade and economic ties between the two countries during that period.

On international issues, the Korean premier expressed support for the Soviet stand at the Soviet-American summit meeting in Geneva last month, while Ryzhkov renewed backing for the proposals and initiatives of the Democratic People's Republic of Korea toward normalizing the situation in the Korean peninsula.

Meets Gorbachev

OW260808 Beijing XINHUA in English 0708 GMT 26 Dec 85

[Text] Moscow, December 25 (XINHUA) -- Soviet leader Mikhail Gorbachev met visiting Korean Premier Kang Song-san in the Kremlin today, and both sides noted with satisfaction "the dynamic development of Soviet-Korean relations," the Soviet news agency TASS reported. They reviewed their two parties' effort to deepen cooperation in accordance with the understanding reached during the visit of Kim Il-song, president of the Democratic People's Republic of Korea (DPRK), in May last year, TASS said. During their meeting, Gorbachev and Kang gave "a positive assessment" of their countries' economic relations, and agreed that they should be further expanded. The Soviet leader wished the Korean people new successes in socialist construction and in the cause of peaceful reunification of the country, TASS said.

Kang arrived in Moscow yesterday, and had met with his Soviet counterpart Nikolay Ryzhkov to discuss bilateral economic cooperation. At a dinner on Tuesday in honor of the Korean guests, Ryzhkov spoke of the significance of his talks with the Korean premier to the development of their relations, saying that they will be the foundation for furthering economic and scientific-technical cooperation for the 1986-1990 period. He voiced full support for the DPRK's efforts towards normalizing the situation and easing tension in the Korean peninsula.

Signs Economic, Nuclear Accords

OW261320 Beijing XINHUA in English 1247 GMT 26 Dec 85

[Text] Moscow, December 26 (XINHUA) -- Visiting Korean Premier Kang Song-san and his Soviet counterpart Nikolay Ryzhkov signed here today an agreement for bilateral economic and technological cooperation and an agreement for building a nuclear power plant in Korea, the Soviet news agency TASS reported. Before signing the agreements, the two leaders held talks covering bilateral issues and issues of common concern. Soviet leader Mikhail Gorbachev met Kang Song-san here yesterday. Both expressed satisfaction at their present bilateral economic ties. The Korean premier, who arrived here Tuesday for an official visit, left Moscow today, TASS said.

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PRC INTERNATIONAL AFFAIRS
SOVIET UNION

C 1

MOSCOW SOCIETIES MARK DECEMBER 9TH MOVEMENT

OW261955 Beijing XINHUA in English 1856 GMT 26 Dec 85

[Text] Moscow, December 26 (XINHUA) -- The Soviet-China Friendship Society and the Union of Societies for Friendship and Cultural Relations With Foreign Countries of the Soviet Union gave a public lecture here today to mark the 50th anniversary of the "December 9th Movement," staged by Chinese students against Japanese aggression.

Professor Arlen Meksetov of the Moscow Institute for International Relations spoke highly of the Chinese students' patriotic movement 50 years ago. Mikhail Titarenko, first deputy chairman of the central board of the Soviet-China Friendship Society, hosted the meeting. Minister-Counsellor Li Fenglin and other diplomats of the Chinese Embassy to the Soviet Union were present at the meeting.

RENMIN RIBAO ON TV GROUND STATION IN MOSCOW EXPO

HK240747 Beijing RENMIN RIBAO in Chinese 21 Dec 85 p 2

[Report: "China's 6-Meter Satellite Television Ground Station To Be Displayed in Moscow Expo Next Year"]

[Text] According to a report by ZHONGGUO DIANZI BAO [CHINA ELECTRONICS JOURNAL], the China Council for Promotion of International Trade has selected the 6-meter satellite television ground station produced by the 39th Institute of the Ministry of Electronics Industry, which was displayed at the Beijing Asian-Pacific Expo in 1985, as an exhibit to be displayed in the Moscow International Expo next year.

At the Asian-Pacific Expo, the business volume of contracts for the 6-meter satellite television ground stations produced by the 39th Institute amounted to 650,000 yuan, accounting for nearly 50 percent of the total volume of business of the electronics industry hall. Prior to this, at a trade fair sponsored by the Ministry of Electronics Industry, this 6-meter satellite television ground station was tested by the Joint Testing Group of the State Council's Electronics Invigoration Office and found to have a relatively high ratio of performance carrier noise, reaching 15.4 decibels, as well as the best cost performance. It was well-spoken of by all and it did the largest volume of business.

At the opening ceremony of the Asian-Pacific Expo, the U.S. commercial counsellor to China watched American and Australian television programs transmitted by the No 4 International Communications Satellite over the Pacific and received by the 6-meter ground station. Then and there he contracted to purchase six such stations.

PROPOSED ECONOMIC ZONE TO TRADE WITH USSR

OW240531 Beijing Domestic Service in Mandarin 0200 GMT 24 Dec 85

[Text] According to SHENYANG RIBAO, Dalian, Shenyang, Changchun, Harbin, and Chifeng Cities and Hulun Buir, Jirem, and Hinggan Leagues in northern China have all agreed to jointly develop northeastern China's energy resources, communications, and mineral resources; jointly stepping up trade with the Soviet Union and expanding production and export of products, thereby forming a new economic zone in northeast China.

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C 2

PRC INTERNATIONAL AFFAIRS
SOVIET UNION

HEILONGJIANG INCREASES TRADE WITH SOVIET BLOC

OW211153 Beijing in Russian to the USSR 1800 GMT 20 Dec 85

[Text] Heilongjiang Province's volume of trade with the Soviet Union and East European countries will increase in 1986 2.7 times over the 1985 figure, the provincial Foreign Trade Administration reported. Next year, bilateral trade will reach 80 million Swiss francs. This year it reached 30 million Swiss francs.

Border trade between China's Heilongjiang Province and the Soviet Union resumed two years ago. This year the province established trade relations with Poland, Czechoslovakia, the GDR, Romania, Hungary, and Yugoslavia. The province exports pork, canned goods, thermos flasks, soybeans, corn and fodder to these countries, and imports lumber, cement, chemical fertilizers, glass, automobiles, motorcycles, refrigerators and machinery.

XINHUA REPORTS MOSCOW FIRST SECRETARY REMOVAL

OW241437 Beijing XINHUA in English 1329 GMT 24 Dec 85

[Text] Moscow, December 24 (XINHUA) -- The first secretary of the Moscow City Committee of the Communist Party of the Soviet Union, Viktor V. Grishin, was removed from his post today, the Soviet news agency TASS reported. The decision was made at a special meeting presided over by Soviet leader Mikhail Gorbachev, TASS said.

Grishin, 71, who had been on the post since 1967, was replaced by Boris N. Yeltsin, 64, who was elected a secretary of the Central Committee of the Soviet Communist Party in July, TASS reported.

PRC WRITERS, CRITICS COMMEMORATE TOLSTOY'S DEATH

OW201634 Beijing XINHUA in English 1450 GMT 20 Dec 85

[Text] Beijing, December 20 (XINHUA) -- Chinese writers and literary critics gathered here today to commemorate the 75th anniversary of the death of Leo Nikolaevich Tolstoy.

Chen Shen of the Institute of Foreign Literature under the Chinese Academy of Social Sciences, talked about Tolstoy's contribution to world literature at the meeting. He spoke highly of Tolstoy's proposition that art should serve the people and of his tireless effort to achieve perfection in writing.

V.P. Fedotov, minister-counsellor of the Soviet Embassy in China, said China's study on Tolstoy indicates that peoples of the two countries are very close. The meeting was sponsored by the Chinese People's Association for Friendship With Foreign Countries, the Sino-Soviet Friendship Association, the Institute of Foreign Literature, the Institute of Soviet Literature and the Chinese Writers Association.

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P R C I N T E R N A T I O N A L A F F A I R S
NORTHEAST ASIA

D 1

AVIATION AGREEMENT SIGNED WITH MONGOLIA

HK240254 Beijing ZHONGGUO XINWEN SHE in Chinese 1423 GMT 23 Dec 85

[Text] Beijing, 23 Dec (ZHONGGUO XINWEN SHE) -- The Chinese and Mongolian civil aviation delegations have recently reached an agreement: The Mongolian side will conduct regular Ulaanbaator-Beijing flights from May to October 1986, and the Civil Aviation Administration of China will resume flights on the same line at an appropriate time.

The Chinese and Mongolian sides ceased such flights in 1967.

At a recent meeting in Beijing, both sides discussed in detail the aviation, telecommunications, meteorological, commercial, and other problems concerned and signed respective protocols.

FANG YI MEETS SINO-JAPANESE SYMPOSIUM DELEGATES

OW241815 Beijing XINHUA in English 1440 GMT 24 Dec 85

[Text] Beijing, December 24 (XINHUA) -- State Councillor Fang Yi met here today delegates to a Sino-Japanese symposium on scientific and technological progress and economic development, which began here today. During the meeting, Fang told the delegates that the symposium would help increase mutual understanding as well as bilateral scientific and technical exchanges.

Lu Jiaxi, president of the Chinese Academy of Sciences, gave a reception in their honor after the meeting. During the four-day symposium, delegates from both countries will swap experience in policies towards science and technology, education and technological development in electronic and auto industries.

TRADE OFFICIAL ON SINO-JAPANESE OSAKA TALKS

HK220936 Beijing GUOJI SHANGBAO in Chinese 9 Dec 85 p 11

[Report by Wu Xinhui and Zong Ruiyu: "Wei Yuming, Vice Minister of Foreign Economic Relations and Trade, on Investment and Trade Talks as a Good Way To Promote Co-operation Between Chinese and Foreign Medium-Sized and Small Enterprises"]

[Text] In an interview with the reporters of the monthly magazines GUOJI SHANGBAO and GUOJI MAOYI in Osaka after the conclusion of the Osaka "China investment and trade talks" on 30 November, Wei Yuming, vice minister of foreign economic relations and trade and head of the Chinese delegation to the talks, answered questions raised by the reporters:

Question: What is your judgment concerning the results and significance of the talks?

Answer: Thanks to the common efforts of the Japanese and Chinese sides, the talks have been quite successful. The results of the talks can be expressed in two ways: One is in terms of figures. In a matter of a few days, letters of confirmation or agreements about continued talks were signed on 174 items. This points to the great success of the talks. Another aspect cannot be put in statistical terms. It is the deepening of mutual understanding of both sides through contacts, laying a favorable foundation for future economic and technical cooperation between China and Osaka and all the Kansai districts.

Of course, the results of the meeting are just the beginning of an undertaking. Common efforts by both sides are required to carry out these items of cooperation. The summation of the talks noted that both sides agreed to look into the items confirmed for continued talks 6 months from now.

We hope to take the talks as a new starting point for economic and technical cooperation between China and Osaka and all the Kansai districts, stimulating the rapid development of mutually profitable cooperation. On the basis of properly handling follow-up work after the meeting, we will enter into cooperation with relevant Japanese quarters. Investment talks of the same kind to be held in the future can be of a comprehensive nature or be devoted to specialized fields, stimulating cooperation between the enterprises of the two countries, including those of the Kansai districts. Holding investment talks is a good way to promote cooperation between Chinese and foreign medium-sized and small enterprises. The talks this time can be described as a good beginning for cooperation between Chinese and Japanese medium-sized and small enterprises.

Question: Please tell us something about the outlook for foreign enterprises' investment in China?

Answer: For foreign enterprises, investment in China holds a great attraction. China has a great wealth of resources and a large supply of labor. Wages are low. A great potential market also exists. Especially given the stability of the political situation in our country and the upholding of the policy of opening up to the outside world, a relatively favorable investment environment has been created for foreign investors. In the past year or two, the number of foreigners investing in China has increased quickly. Moreover, most of the enterprises in operation have achieved relatively good economic results. Facts show that investment in China is profitable to both China and other countries.

Involved here is a problem of mutual understanding, especially one of understanding China. Before the talks, we heard that certain Japanese businessmen were worried about investing in China. We clarified certain concrete problems. After listening to us, Japanese friends were quick to tell us that they understood. They shed many of their worries. In their own words, they felt "an increased sense of security in investments." Therefore, given an increase in our diplomatic exchanges with other countries, foreign businessmen have come in ever larger numbers to invest in China or enter into various forms of economic and technical cooperation.

Question: Some foreign friends worry that China's economic laws involving foreigners may not be perfect and that there would be no protection for returns on their investment. Can you offer some views about this?

Answer: It has not been long since our introduction of the policy of opening up. We still lack experience. But in light of actual needs in the past few years, our country has formulated a number of economic laws involving foreign countries and has also signed investment protection agreements with more than 10 countries. Of course, all laws and regulations are derived from practice and call for continuous improvement in practice. In this respect, we still have a lot of work to do.

Apart from being given realistic protection legally, returns on foreign investments are given preferential treatment by our policy. For example, we have formulated concrete provisions for products of Chinese-foreign joint enterprises sold in the country and reasonable profits sent out of the country by foreign businessmen. So long as foreign businessmen can bring in advanced technology and their products can take the place of imports, not only can supplies be provided for the domestic market, but a contribution is made toward the solution of the problem of a balance in foreign exchange. Concerning contracts signed before the formulation of relevant laws or before a change in such laws, clear-cut regulations have also been laid down in our economic contract laws involving foreign countries. For instance, where a contract clashes with new laws, the stipulations in the contract can be acted upon accordingly, subject to agreement by both sides as signatories to the contract.

This helps avoid likely losses to foreign businessmen through a change in given laws. In summation, in drawing up our policies and laws, we take into full consideration the legitimate interests of foreign investors. It should also be pointed out that we are mindful of the law. But we lay particular emphasis on mutual understanding and trust between both sides involved in cooperation. On this basis, even given some concrete problems, a solution can be achieved through consultations. Japanese friends may now have a greater understanding about this.

NODONG SINMUN BLAMES S. KOREA FOR DEADLOCKED TALKS

OW241351 Beijing XINHUA in English 1317 GMT 24 Dec 85

[Text] Pyongyang, December 24 (XINHUA) -- NODONG SINMUN reiterated in a commentary today that the North side's stand on achieving reunification of the country through dialogue and consultation remains unchanged. It said three formal Red Cross meetings and four rounds of economic talks have been held from May to December. Talks on reaching agreements on exchange of art delegations and of free visits by separated family members have also been conducted.

The commentary said the North side has spared no efforts to seek common grounds and always put the national interests in the first place in the North-South dialogue so as to create an atmosphere of confidence and understanding. But, it added, no results have been achieved in the year-long dialogue as expected because the South side adopted delaying tactics and an insincere attitude in the talks.

This unhappy situation should no longer continue, NODONG SINMUN said. The Korean people are longing for new progress to be made in the North-South dialogue in the coming year so that there will be good prospects for the reunification of the country, it said.

DPRK PHONES SOUTH TO SCHEDULE PRELIMINARY CONTACT

OW241952 Beijing XINHUA in English 1848 GMT 24 Dec 85

[Text] Pyongyang, December 24 (XINHUA) -- The North side of Korea agreed to schedule the third preliminary contact for North-South parliamentary talks for next February, according to a television report here this evening.

Chon Kum-chol, head of the North side's delegation to the preliminary contact, sent a telephone message today to the senior delegate of the South side's delegation, saying that the North side agrees to the South side's proposal for having the third preliminary contact on February 18, 1986. Chon Kum-chol said that the North side had proposed to the South on several occasions to have the third preliminary contact in October and November "in order to close the preliminary contact for North-South parliamentary talks as early as possible." However, he complained, the South side delayed an answer for "internal reasons". He said the South side is entirely responsible for the deadlock.

The two sides held two rounds of preparatory talks for North-South parliamentary talks last July and September when they differed mainly over the agenda of the parliamentary talks. The South side proposed on December 20 that the two sides have their third preliminary contact on February 18 next year.

Chon Kum-chol said he hopes the two sides will make progress in conformity with its original mission and purport in the new year.

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PRC INTERNATIONAL AFFAIRS
SOUTHEAST ASIA & PACIFIC

E 1

WU XUEQIAN ON 'FORCEFUL MEASURES' TO AID THAILAND

OW261621 Beijing XINHUA in English 1602 GMT 26 Dec 85

["Chinese Foreign Minister on China's Reaction to Possible Vietnamese Invasion of Thailand" -- XINHUA headline]

[Text] Bangkok, December 26 (XINHUA) -- Visiting Chinese Foreign Minister Wu Xueqian declared here today that China will not sit with arms folded if Vietnamese troops invade Thailand in the current dry season. If such invasions occur, Wu said, China will take forceful measures to coordinate with Thailand, a very friendly neighbor of China. He added China will not allow Vietnam, which is pursuing a hegemonist policy, to make incursions into Thailand at its will.

The Chinese foreign minister made this statement to the local press upon his arrival at Don Muang Airport here this afternoon to start a three-day friendly visit to Thailand at the invitation of his Thai counterpart Sitthi Sawetsila.

Wu told correspondents that China and Thailand share a common stand in opposing Vietnam's occupation of Kampuchea and in supporting the resistance movement in Kampuchea. His coming talks with Sitthi are believed to focus on the issues of the regional situation, the possible Vietnamese invasion of Thailand and the Chinese and Thai support for the Kampuchean resistance forces. [Beijing XINHUA Domestic Service in Chinese at 1430 GMT on 26 December carries a report on Wu Xueqian's statement rewording the previous sentence as follows: "...He said that he would hold talks with Sitthi Sawetsila to further coordinate the common stand of China and Thailand and to strengthen their support for the Kampuchean resistance forces."]

He said that Hanoi always wants to solve the Kampuchean problem by resorting to military means through dry season offensives, but their ambition can never be fulfilled.

When asked how to assess the current conflicts within the Khmer People's National Liberation Front (KPNLF) led by Son Sann, prime minister of the Coalition Government of Democratic Kampuchea, the Chinese foreign minister expressed the belief that the conflicts in the KPNLF can be resolved through internal consultations, because its members all face a common enemy, the Vietnamese aggressors.

Referring to the Sino-Soviet relations, Wu reiterated that the normalization between China and the Soviet Union can not be realized if the Soviet Union refuses to do anything in removing the three obstacles, especially the major obstacle of the [The XINHUA Domestic adds: "...vigorous..."] Soviet support for the Vietnamese occupation of Kampuchea.

THAI FOREIGN MINISTER ON SON SANN LEADERSHIP

OW231024 Beijing XINHUA in English 0816 GMT 23 Dec 85

[Text] Bangkok, December 23 (XINHUA) -- Thai Foreign Minister Sitthi Sawetsila said yesterday that the Association of South East Asian Nations still considers Son Sann to be "the most suitable person as leader of the Kampuchean resistance movement."

Sitthi told a local newspaper THE NATION REVIEW that Thailand and other ASEAN nations will not interfere in the current conflict in the Khmer People's National Liberation Front (KPNLF). "It is their internal matter that can be solved and it will not affect ASEAN policy (towards Kampuchea)," he said.

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Son Sann's leadership of the KPNLF was challenged on December 17 when a provisional Central Committee of Salvation was formed and proclaimed that it was running the front's military, diplomatic and civilian affairs. The KPNLF Liasion Office and Secretariat, however, issued a press communique on Son Sann's behalf on December 21 saying that the "so-called Salvation Committee" was composed of a "small group of misled" members. It said that "such a Salvation Committee is illegal in regard to the KPNLF organization based on the legitimacy of the People's Congress held in April 1980." Son Sann appealed to the Salvation Committee members to reintegrate into the KPNLF.

There is strong public opinion here for the reunification of the KPNLF through peaceful negotiations.

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PAKISTAN'S ZIAUL HAQ ON EXPANDING TIES WITH PRC

OW241926 Beijing XINHUA in English 1916 GMT 24 Dec 85

[Text] Islamabad, December 24 (XINHUA) -- Pakistan President Mohammad Ziaul Haq today hoped the relations of friendship and cooperation between Pakistan and China will be further expanded, particularly in trade and economy. Zia said this when receiving the visiting Chinese Urumqi goodwill delegation in Rawalpindi this evening. The delegation is led by Ismail Maikeshuti, mayor of Urumqi City -- capital of China's Xinjiang Uygur Autonomous Region. During the meeting, Ismail Maikeshuti expressed thanks to the president for the warm reception given to Chinese Muslims going on pilgrimage in Saudi Arabia via Pakistan. The delegation arrived here on December 12 for a 15-day visit at the invitation of the Peshawar Municipal Council. It will leave Pakistan for home on December 27.

PAKISTAN PRIME MINISTER ON CHINA'S MODERNIZATION

OW230056 Beijing Domestic Service in Mandarin 1200 GMT 20 Dec 85

[Text] In a recent interview with station reporters, Pakistani Prime Minister Junejo called China's modernization positive and hoped that China would continue advancing along this line. Junejo said that developing countries attach great importance to China's new experience and progress and are taking a close look at them. Speaking on the recent reorganization of China's top leadership, he said: During our visit to China we were very pleased to see that younger leaders are very popular among the people and that they are working enthusiastically for their country's development and in the national interest. Touching on Sino-Pakistani relations, Junejo said: Our relations are founded on principle and they are very strong.

PAKISTAN'S FOREIGN MINISTER DELINEATES POLICIES

OW241748 Beijing XINHUA in English 1604 GMT 24 Dec 85

[Excerpts] Islamabad, December 24 (XINHUA) -- Pakistan has no hesitation in expanding relations with India and it will continue to work for the creation of an environment that is conducive to cooperation with all countries in the region, Foreign Minister Sahabzada Yaqub Ali Khan said here today. In his speech on Pakistan's foreign policies at a joint session of the parliament here this morning, Yaqub said that any and every proposal toward better relations with India will continue to be considered on the basis of its merits. He said Pakistan have been seeking a peaceful solution of the Jammu and Kashmir dispute, in the spirit of Simla Agreement and in accordance with the resolutions of the United Nations.

Referring to the dispute over the Siachen Glacier area, he said Pakistan is committed to the principle that differences between the two sides should be resolved through peaceful means.

The basic aim of Pakistan's foreign policy, Yaqub said, is to maintain the country's integrity, political independence and the economic well being of the people, and contribute to the strengthening of international peace and understanding. Enumerating the main directions, the foreign minister said the country has sought to forge the closest possible ties of friendship and cooperation with the Islamic countries, maintain and develop the friendly and good relations with the United States and to strive to maintain and further develop cordial relations with USSR on the basis of the universally recognized principles of inter-state conduct.

He described Pakistan's friendly relations with China as "special and time-tested" which "constitutes one of the pillars of our foreign policy". "China," he said, "is a pillar for peace and justice in the world and Sino-Pakistan friendship has been a major positive factor in our endeavors to maintain territory integrity and safeguard independence."

He said the country will consolidate its ties with Western nations and Japan, the major source of economic assistance to Pakistan. It will also maintain solidarity with the Third World countries and the non-aligned group.

PAKISTAN MAKES PROGRESS IN NUCLEAR TECHNOLOGY

OW241936 Beijing XINHUA in English 1902 GMT 24 Dec 85

[Text] Islamabad, December 24 (XINHUA) -- Pakistan has made progress in the use of nuclear technology over the past 20 years. According to the PAKISTAN TIMES today marking the 20th anniversary of the founding of the Pakistan Institute of Nuclear Science and Technology (Pinstech), radioisotopes produced by Pinstech are now extensively used in the country in nuclear medicine for diagnostic and therapeutic purposes as well as in agriculture, industry and scientific research.

Pakistan now has eight nuclear medical centers and two institutes of nuclear agricultural biology. The country's sole nuclear power plant in Karachi is being run entirely with instrumentation and fuels mined and processed by Pakistani nuclear scientists.

Pinstech also provides radiation analysis of air and surface and ground water to determine any contamination. Besides, it also undertakes the application of radiation and isotopes in industry and hydrology, and applies non-destructive testing techniques of X-ray and gamma ray radiography to detect defects in materials. Providing trained technical personnel in industrial radiography and ultrasonic testing, the institute has played an important role in improving the quality of the country's products. The Center for Nuclear Studies sponsored by Pinstech has so far produced 289 graduates for running its various services in collaboration with universities in the country.

NAVAL SHIPS ON FRIENDLY VISIT TO BANGLADESH

OW261318 Beijing XINHUA in English 1249 GMT 26 Dec 85

[Text] Chittagong, December 26 (XINHUA) -- Two Chinese naval vessels arrived in port Chittagong today for a four-day friendly visit to Bangladesh. The Chinese vessels were guided into the port by Bangladesh's naval ships. Bangladesh falls on the last leg of the ship's journey, which also took them to Pakistan and Sri Lanka. Bangladesh's Navy in a message acclaimed the voyage as historic and called it a major step in the friendship between China and Bangladesh.

LI, ZHAO GREET BHUTAN KING ON NATIONAL DAY

OW191401 Beijing International Service in Mandarin 0900 GMT 17 Dec 85

[Text] President Li Xiannian and Premier Zhao Ziyang of China sent a telegram to King Jigme Singye Wangchuk of Bhutan on 16 December warmly congratulating him on the National Day of the Kingdom of Bhutan.

The telegram said: We are delighted to see that in the past few years friendly visits between China and Bhutan have increased, friendship between the two countries has been strengthened, and mutual understanding between the two governments and the two peoples has deepened. We hope that henceforth the goodneighborly and friendly relations between China and Bhutan will be further developed.

GUOJI SHANGBAO ON EEC INVESTMENT IN CHINA

HK230253 Beijing GUOJI SHANGBAO in Chinese 9 Dec 85 p 3

[Report: "Current Situation and Prospects of EEC Countries' Investment in China"]

[Text] Since the implementation of the policy of opening up, the Chinese Government has signed a number of loan agreements with EEC countries. Businessmen from these countries have made many investments in China setting up factories, running joint ventures and exclusively foreign-invested enterprises, or exploiting offshore oil. The fruitful results achieved by these economic undertakings foretell bright prospects for the future.

New progress in loan cooperation between governments. In 1979, the Belgian Government granted China an interest-free loan of 900 million Belgian francs. Following the interest-free loan of 125 million Danish krone granted by the Danish Government for four construction projects in China, the Italian government granted two mixed loans to China totaling U.S.\$205 million. Since the beginning of this year, the Chinese Government has signed loan agreements with the governments of the FRG, France, and the United Kingdom totaling over U.S.\$300 million. According to the terms of the agreements, these loans should be used for developing energy, transport, telecommunications, urban construction, and other basic facilities and also for the building of some small and medium-size enterprises. The completion and start operation of these projects will help enhance economic and technological cooperation between the Governments of China and EEC countries.

A good beginning in investment made by businessmen and financial organizations of EEC countries in China. Early in 1980, the United Kingdom's B.P. Petroleum Development Ltd. and France's ELF Aquitaine Chine took the risk of investing in China's offshore oil exploration. Later, entrepreneurs from the FRG, Italy, the Netherlands, Belgium, and Denmark also came to China to make investments and build factories. By the end of September this year, the Chinese Government approved more than 150 investment agreements concluded between entrepreneurs and financial organizations of the above 7 countries and China's enterprises and economic organizations. Investment made through joint ventures, joint operation, cooperation in offshore oil exploration, exclusively foreign-invested enterprises, and compensation trade, totaled U.S.\$1.08 billion, 7.3 percent of total foreign investment in China.

Of the total amount, the United Kingdom invested U.S.\$376 million, 35 percent of the EEC nations' total investment in China, France invested U.S. \$338 million, 31.3 percent; the FRG invested U.S. \$173 million, 16 percent; Italy invested U.S. \$131 million, 12.1 percent; and Belgium, Denmark, and the Netherlands invested U.S.\$62 million, 5.6 percent.

According to the distribution of the investment, investment in offshore oil exploration totaled around U.S.\$600 million, 55 percent of the total amount of direct investment. Investment in 12 cooperative exploration zones along China's coast came chiefly from 7 corporations from France, Italy, the United Kingdom. These zones have sunk test and production wells, all promising good yields. Foreign investment in 51 joint ventures totaled U.S. \$260 million.

These projects, some already in operation and some still under construction, have exerted a great influence at home and abroad. In addition to one exclusively foreign-invested enterprise, there are 11 enterprises run through joint operation and a number of small and medium-size enterprises run by means of compensation trade. Foreign investment and equipment provided by foreign businessmen totals over U.S.\$200 million.

With concerted efforts on both sides, China has recently signed agreements on investment protection respectively with the FRG, Italy, Belgium, Denmark, and the Netherlands. At the upcoming China-EEC trade week in Brussels, we will also hold trade talks on a number of cooperative items. This will undoubtedly promote economic cooperation between China and EEC countries.

CHINESE WITH FORGED PASSPORTS REPATRIATED BY FRG

HK250811 Beijing ZHONGGUO XINWEN SHE in Chinese 1502 GMT 24 Dec 85

[Report by reporter Chen Liyu: "Eleven Chinese Citizens Holding Forced Foreign Passports Repatriated after Detention"]

[Text] Beijing, 24 Dec (ZHONGGUO XINWEN SHE) -- According to a responsible person of the administrative bureau in charge of exits and entries under the Public Security Ministry, smuggling rackets in foreign countries that illegally bring Chinese residents into a certain country have caused deep concern among the departments concerned in China. They have adopted relevant measures in this regard. This responsible person was responding to the case of 11 residents from Fujian, who held forged Singaporean passports, were detained by West German police, and repatriated to China on 7 December. He also stressed that when Chinese residents apply to go abroad, they should go through legitimate formalities. When they are abroad, they should observe the laws of the countries concerned.

The above-mentioned 11 Chinese residents all have relatives in the United States. Early this year, they submitted their applications to the public security department for permission to visit their relatives in the United States. Their applications were approved and passports were issued to them. However, since they did not get visas from the U.S. Embassy in China, their relatives abroad tried to bring them to the United States using a smuggling racket in a foreign country. After they had arrived in the United States, they would pay the smugglers \$20,000 per person. In the meantime, they paid the smugglers \$2,500 per person in advance. This smuggling racket first got tourist visas for these 11 persons from an Asian country. Last June and last November, they left China successively. The "snake heads" of this smuggling racket brought them to the Asian country from which visas had been obtained. After entering the country, the "snake heads" took their Chinese passports, and issued each of them a forged Singaporean passport. After that, the "snake heads" took them to Hamburg in the Federal Republic of Germany, trying to smuggle them to the United States via a South American country.

On 24 December, the Hamburg police found out that they held forged Singaporean passports, and immediately arrested them. Two "snake heads" were also captured. After 43 days, these 11 persons were permitted to leave for home with the assistance of the Chinese Consulate General in Hamburg.

This responsible person of the administrative bureau in charge of exits and entries under the Public Security Ministry reiterated that when Chinese residents go abroad, they should first obtain entry visas from the embassies and consulates of the countries concerned in China through normal channels. He also hoped that when Overseas Chinese and Chinese residents residing abroad are helping their relatives in China to go abroad, they should work in accordance with the regulations of the Chinese Government and the countries concerned, so that they will not be deceived and waste their money.

AUSTRIAN PRESIDENT PRAISES PRC POLICIES

OW251008 Beijing XINHUA in English 0714 GMT 25 Dec 85

[Text] Vienna, December 24 (XINHUA) -- China's independent foreign policy is a great contribution to safeguarding world peace, Austrian President Rudolf Kirchschlaeger said in a recent interview with Austrian radio and TV station. In the interview, which was published by the latest issue of CHINA GUIDE, a publication of the Austria-China Friendship Association, Kirchschlaeger, who visited China last September, said that the Chinese leaders have clearly declared that China does not and will never enter into any alliance or conclude any strategic treaty with any superpower. This is of great importance, he said, because only such a policy can keep the world political balance. "I think the policy is a great contribution to safeguarding world peace," he said.

Referring to his impression he got from his China-trip, the Austrian president said that the large-scale economic reforms which are going on in China are different from either the pattern of the market economy of the United States or the planned model of the Soviet Union. The road is a special one, fit for China's realities and in keeping with the Chinese traditions and the present economic situation, he said.

Kirchschlaeger said he was deeply impressed through his trip that the Chinese leaders and people are determined to carry the reforms forward. "I firmly believe that China will surely achieve their grand objectives although there are difficulties," he said.

China's independent foreign policy is an important basis for developing cooperation between Austria and China which, he said, have common interests in safeguarding world peace and share common views on many international issues.

He expressed his hope to promote Austria's trade and cultural cooperation with China in the spirit of mutual understanding.

CONSULATE GENERAL IN MARSEILLE OPENS 19 DEC

OW201102 Beijing XINHUA in English 1030 GMT 20 Dec 85

[Text] Marseille, December 19 (XINHUA) -- The Chinese Consulate-General in Marseille was inaugurated today and Consul-General Zhang Enyang held a reception this evening for the occasion.

Over 300 guests attended the reception. Prefect of the Bouche-du-Rhone Department Pierre Somveille and Vice-Mayor of Marseille Mme. Marie-Pierre Leuiset were among those present. Charge d'Affaires ad interim, Zhang Xichang, of the Chinese Embassy in Paris was also present at the reception.

Speaking at the reception Consul-General Zhang expressed the hope that the opening of the consulate-general would be conducive to the promotion of mutual understanding and cooperation between the Chinese people and the local people.

Marseille, the second biggest city in France is located in southern France with a population of one million. Port Marseille is the biggest port in France and the third biggest in Europe, handling 8,800 tons of cargo in 1984. Fifty Chinese ocean-going ships have called at Port Marseille this year.

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PRC, GDR SIGN NEW TRADE PROTOCOL IN BERLIN

OW242020 Beijing XINHUA in English 1840 GMT 24 Dec 85

[Text] Berlin, December 24 (XINHUA) -- China and Democratic Germany will increase their trade by 33 percent in 1986 over that of this year. This is agreed by the two sides in a goods exchange and payments protocol signed here today. Under the protocol, China will import from Democratic Germany trucks, machine tools, plastics processing machinery, printing machines, laboratory instruments, cables and canned drink production line, while export to it grain, cotton, canned vegetables, textiles, light industrial products, hardware, minerals, native produce and animal by-products.

ROMANIAN FOREIGN TRADE MINISTER VISITS BEIJING

Meets With Wan Li

OW251053 Beijing XINHUA in English 1037 GMT 25 Dec 85

[Text] Beijing, December 25 (XINHUA) -- Vice-premier Wan Li met here today with Vasile Pungan, Romanian minister of foreign trade and international economic cooperation and head of a visiting trade delegation. Wan Li noted that Sino-Romanian trade has developed steadily over the past years under the care of the leaders of the two countries. The two parties and the two countries have always had good relations, Wan Li said and he urged the furthering of their cooperation through extensive exchanges of views. Vasile expressed satisfaction with the consistent development of the friendship and cooperation between the two countries.

The Romanian minister arrived here December 23 to discuss the 1986 trade between the two countries. He told Wan Li that new avenues have been explored during the discussion for the development of their trade and economic cooperation. He expected greater increases in bilateral trade next year. Wan Li said that he was very glad to hear this and attributed it to the efforts made by both parties.

Signs Trade Protocol

OW251558 Beijing XINHUA in English 1454 GMT 25 Dec 85

[Text] Beijing, December 25 (XINHUA) -- A protocol on exchange of goods and payment for 1986 between the governments of China and Romania was signed here today. The protocol envisages a big increase in the volume of Sino-Romanian trade in the new year over 1985. China will supply Romania with soybean, rice, cotton, cotton cloth and machine tools, while Romania will export to China rolled steel, aluminium-steel cables, telephonic cables and bottling lines.

Zheng Tuobin, Chinese minister of foreign economic relations and trade, and Vasile Pungan, Romanian minister of foreign trade and international economic cooperation, signed the protocol on behalf of their respective governments.

SFRY'S SUKOVIC ON ECONOMIC COOPERATION WITH PRC

OW211914 Beijing XINHUA in English 1849 GMT 21 Dec 85

[Text] Belgrade, December 21 (XINHUA) -- A fine political atmosphere now exists between Yugoslavia and China and the two countries should take a big stride forward in the development of economic cooperation. This was expressed by Yugoslav Deputy Premier Mijat Sukovic who has just returned from a China trip.

Speaking in an interview here today with the Yugoslav news agency TANJUG, he emphasized that Yugoslavia is capable of satisfying part of China's needs in its economic development.

He explained that Yugoslavia's economic departments can establish links with their Chinese counterparts and meet their needs for raw materials and manufactured goods and part of equipment they require. The Yugoslav food industry in particular has a lot to do in this aspect, he added. He said that Yugoslavia should give top priority to organizing its experts to study China's needs in advanced technology and making detailed proposals on what technology and equipment this country is able to offer to China.

He described his talks in Beijing with Chinese Premier Zhao Ziyang, Vice-Premier Tian Jiyun and Foreign Trade Minister Zheng Tuobin as "frank, sincere and very beneficial." It is his hope that his visit would further enhance the economic cooperation between the two countries.

ZHENG TUOBIN OUTLINES TRADE WITH EAST EUROPE

OW260649 Beijing XINHUA in English 0633 GMT 26 Dec 85

[Text] Beijing, December 26 (XINHUA) -- The total volume of trade between China and the Eastern European countries (excluding the Soviet Union) in 1985 reached 2.64 billion U.S. dollars. This figure was disclosed by Zheng Tuobin, minister of foreign economic relations and trade, in a recent interview with XINHUA here.

Zheng said this year has seen the fastest growth of economic relations and trade between China and the Eastern European countries in more than 30 years. During the year China signed long-term trade agreements for 1986-1990 with Romania, Yugoslavia, Hungary, the German Democratic Republic, Poland and Albania. The latest additions were Czechoslovakia and Bulgaria. This shows that next five years will see a new stage of long-term and stable development, with a much higher volume of trade, he noted.

Zheng said China and Romania have in the past seven years conducted production and technical cooperation in a wide range of areas, comprising 173 contracts. The contracts include 50 projects to be supplied by China, such as a match production line, silicon workshop and various kinds of machine tools, while Romania will provide China with 123 projects, including a truck assembly, furniture and beverage production lines. Zheng said the volume of trade between China and Romania, which has ranked first for many years in China's trade with other Eastern European countries, is targeted for 760 million U.S. dollars this year.

Zheng said since China and Yugoslavia conducted production and technological cooperation in 1979, the contract volume has reached 60 million U.S. dollars. The two sides agreed two months ago to undertake cooperation in another 50 projects. Their volume of trade in 1984 was 130 million U.S. dollars, a 65 percent increase over that of 1983. It is expected that their trade this year will further grow.

With regard to its trade relations with Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary and Poland, Zheng outlined the following characteristics:

-- Good momentum for trade contacts -- The volume of trade stipulated in the Sino-Polish agreement of 1985 was 2.8 times that of last year; the Sino-Hungarian trade agreement volume, 2.7 times; that agreed between China and the German Democratic Republic, 54.5 percent; and that of the Sino-Czechoslovak trade agreement, a 39.6 percent increase. The agreed volume of trade between China and Bulgaria also increased.

-- Changed import/export structure -- Minister Zheng cited the example of Sino-Hungarian trade. In the 1950s, China mainly imported complete sets of equipment and machinery and electrical products from Hungary, while exporting cereals, oil and mineral products. Since the 1970s China has imported more raw materials and semi-finished products, reduced its imports of complete sets of equipment, and exported more light and textile industrial products and less mineral products. Now China also exports machinery products to Hungary.

-- A good beginning for economic and technological cooperation -- Apart from commodity exchange, the two sides have explored and opened new cooperative areas and forms such as production cooperation, importing technology, technical transformation of existing enterprises and undertaking cooperation in third-country markets in the past couple of years.

This year Poland agreed to help China in updating production of toffee, bread, and basalt casting production line. Hungary will provide China with bus components, and lighting fixture production lines. China also signed similar contracts with the other three countries. He welcomed these countries to undertake cooperation with China by using advanced technology and high quality products. He also hoped that the two sides would explore new cooperative areas and commodities, in order to tap the potential.

RENMIN RIBAO ON YUGOSLAVIA'S ECONOMIC SITUATION

HK250943 Beijing RENMIN RIBAO in Chinese 21 Dec 85 p 7

["Special Year-End" by reporter Yan Zheng: "Fighting Against Economic Difficulties"]

[Text] The year end is drawing near. Over the past year, the main question discussed by the party, government, press, and people of Yugoslavia was how to fight against economic difficulties.

Since 1979, "the year of stabilizing the economy," Yugoslavia has wrestled with economic difficulties. When formulating the "long-term program for economic stability," Yugoslavia planned to check all evil tendencies in economic life before 1985 so as to realize the goal of comprehensive social development. In order to guide the whole nation to work for the realization of this goal, the League of Communists of Yugoslavia [LCY] actively unfolded various activities and held 10 Central Committee sessions this year. In addition, LCY organizations in various trades also held national conferences. In meetings, they criticized the confederate tendency inside the party in order to perfect the system of democratic centralism and to consolidate the unity of the party. On the other hand, they formulated plans for social development and employment and worked out measures for expanding foreign economic relations, opposing inflation, and strengthening the unity of the Federal Republic. The meetings laid down a clear-cut principled position on these questions and required all members of the LCY to play a vanguard role in their respective posts. At the same time, the Federal Assembly also did a great deal of work and enacted and approved a series of new laws and regulations in order to overcome the economic difficulties.

It is certain that production in Yugoslavia this year has increased and, in particular, the conditions for international payment have obviously improved. According to statistics published by the People's Bank of Yugoslavia, the country's foreign exchange reserves by the end of September reached \$2.3 billion, and the country had paid off all due foreign debt.

The first 9 months of this year recorded a favorable balance of international payment of \$388 million, which marked an 86.5 percent increase over the same period last year. However, the economic situation this year remains questionable. The main economic indicators have not reached the planned targets. The growth rates of many industries were lower than those of last year. Because of draught and the poor implementation of policies, agricultural production may fall by 9 percent from last year. The inflation rate by year's end is expected to top 80 percent. Unemployment has continued to increase, and the people's living standards are declining.

In order to strive for a fundamental turn for the better in the economic situation, Yugoslav comrades this year have made a great deal of critical explorations in a realistic manner. They generally hold that "multi-centered state centralism" is the "main" and "most profound" reason for the country's economic disorder. They pointed out that various republics and autonomous provinces, proceeding from their own interests, excessively emphasized their independence and right of self-determination. They thus closed the door to each other and disrupted the country's economic integration and united market. Because they tried to safeguard only their respective vested interests, they did not carry out policy decisions in the overall interests of the Federal Republic. They just made use of the parts favorable to their own interests. Sometimes, they even resisted federal decisions. Therefore, partial and temporary economic measures alone will not be enough if these problems are to be solved. It is necessary immediately to carry out comprehensive reform of the administrative structure and the economic system.

This year, the Federal Assembly enacted a new planning law, a foreign economic relations law, a banking law, and some decrees on speeding up the development of backward regions. The essence of this legislation was to readjust relationships between the Federal Republic, autonomous provinces, and labor organizations in major economic activities so as to overcome excessive decentralism and to strengthen overall economic control and the integration of labor organizations. This will also help consolidate the unity of markets in the country. For example, in the past, production plans in Yugoslavia were mainly drawn up by various grass-roots labor organizations for themselves. The federal plan was made on the basis of summing up various local plans and could not guarantee the overall balance in the national economy. Now the new planning law provides that the federal plan henceforth will be a strategic document guiding the socioeconomic development of the whole country and will also be the foundation for plans of various republics and autonomous provinces. In the past, localities and labor organizations that exported goods could hold the foreign exchange they earned, and the federal government could not use their foreign exchange reserve. Now, according to the new foreign exchange management law, the foreign exchange accounts held by various enterprises will be canceled and all foreign exchange will be managed and used by the federal authorities. The new banking law strengthens the unified leadership of the People's Bank over financial, monetary, and credit affairs and its supervisory role in managing investments and international payments. The decision on developing backward regions reiterates that the task of speeding up the development of Kosovo and other less-developed republics is related to the common interests of the whole Federal Republic. The Federal Executive Council pointed out that the approval and implementation of these decrees will lay a good foundation for stabilizing the economy in the first phase and for the smooth progress of work in further phases.

'ARAFAT MEETS PRC ENVOY IN TUNIS 23 DEC

OW251232 Beijing XINHUA Domestic Service in Chinese 0829 GMT 24 Dec 85

[Text] Tunis, 23 Dec (XINHUA) -- Yasir 'Arafat, chairman of the PLO Executive Council, met this evening with Xie Bangding, Chinese ambassador to Tunisia. Both sides had a very cordial and friendly conversation. Chairman 'Arafat briefed the Chinese ambassador on the latest developments in the Middle East and the Palestinian people's struggle. Ambassador Xie told Chairman 'Arafat that the Chinese Government and people have stood by, and still stand by, the Arab and Palestinian people and resolutely support their strengthening unity in the just struggle to realize their national objective.

CHINA-IRAQ TRADE COOPERATION MEETING IN BAGHDAD

Ramadan Receives Qian Yongchang

OW242015 Beijing XINHUA in English 1948 GMT 24 Dec 85

[Text] Baghdad, December 24 (XINHUA) -- Taha Yasin Ramadan, member of Iraq Revolution Command Council and first deputy prime minister, received here today the Chinese Communication Minister Qian Yongchang. Qian is taking part in the third session of the joint China-Iraq Committee for Trade, Economic and Technical Co-operation as a co-chairman on China's side.

During the reception, Ramadan told the Chinese Minister that the prospects of Iraqi-Chinese cooperation are broad and bright. He expressed his hope for an increase of mutual visits between leaders of the two countries so as to promote mutual understanding and to probe the way of more cooperation. He also expressed his thanks for the concern of Chinese Premier Zhao Ziyang about the friendship and cooperation between the two countries.

Meeting Concludes 25 Dec

OW260154 Beijing XINHUA in English 0114 GMT 26 Dec 85

[Text] Baghdad, December 25 (XINHUA) -- China and Iraq concluded here today the third meeting of the Joint Committee on Trade, Economic and Technical Cooperation. According to the minutes on the meeting, China will import in 1986 from Iraq phosphate, sulphur, palm dates and others, while Iraq will import from China textiles, light industrial products, metalware and mineral products.

The minutes provided that China will continue to take part in Iraq's construction through contracts and services. China will also help Iraq training medical experts in acupuncture, replantation of severed fingers and limbs as well as technicians in other fields. The current meeting of the Chinese-Iraqi joint committee formed in 1983 was held from December 21 to 25.

UAE PAPER ON PROSPECTS FOR LINKS WITH PRC

OW261310 Beijing XINHUA in English 1229 GMT 26 Dec 85

[Text] Cairo, December 26 (XINHUA) -- China's identification with the policies of the Gulf Cooperation Council (GCC) member states may speed up the establishment of diplomatic links between Beijing and other GCC capitals, UAE newspaper AL WAHDA noted Wednesday.

Commenting on the Chinese State Councillor and Foreign Minister Wu Xueqian's visit to the UAE which concluded on Monday, the paper said the UAE wants to develop its links with China which has long advocated Arab causes and taken a positive stand over the Arab-Israeli dispute and the issue of international security and peace. "China's attitude deserves respect as its foreign policy is based on mutual respect and non-interference in the domestic affairs of other countries, equality and peaceful coexistence," the AL WAHDA said.

PDRY'S PRIME MINISTER PLANNING VISIT TO PRC

OW261741 Beijing XINHUA in English 1658 GMT 26 Dec 85

[Text] Aden, December 26 (XINHUA) -- Democratic Yemeni Prime Minister Haydar Abu Bakr al-'Attas announced here today that he would visit China soon and that he hoped to expand economic cooperation between the two countries.

In a meeting with Chinese Ambassador Tang Yong this morning, Al-'Attas, who is also a Politbureau member of the ruling Yemeni Socialist Party, said that the visit would be of greater significant than any of his previous ones and that his country would like to carry out joint enterprises with China. He also hoped that the two countries would enhance people-to-people exchanges in the fields of health and commerce. Al-'Attas asked the Chinese ambassador to convey greeting messages to Chinese Premier Zhao Ziyang and other leaders.

PRC, SOMALIA PLAN FURTHER CULTURAL COOPERATION

OW231640 Beijing XINHUA in English 1523 GMT 23 Dec 85

[Text] Mogadishu, December 23 (XINHUA) -- China and Somalia have decided to continue their cooperation in the areas of culture and art, disclosed a visiting Chinese delegation upon its departure for home today.

The delegation of the Chinese People's Association for Friendship With Foreign Countries, led by its Vice-Chairman Lin Lin, has exchanged views on the matter with leaders of the Somali Revolutionary Socialist Party during its 11-day visit in the country. The delegation came to Mogadishu to attend the celebrations of the 25th anniversary of the establishment of Sino-Somali diplomatic relations.

Both sides agreed that the fine cooperations between the two countries should furthered. The delegation toured a museum of history, a university, a hospital and some historic sites in Mogadishu. It also went to some other parts of Somalia, including the town of Merca which Chinese navigators had called at as far back as in the Ming Dynasty (1368-1644).

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STUDENTS PROTEST IN SHANGHAI; MEET WITH OFFICIALS

HK261354 Hong Kong AFP in English 1351 GMT 26 Dec 85

[Text] Beijing, Dec 26 (AFP) -- About 100 ethnic minority students from China's far west Xinjiang region today staged a protest in Shanghai against nuclear tests in their homeland, a well-informed source said in a call from Shanghai.

In Beijing, meanwhile several hundred minority students who staged a similar protest on Sunday selected 30 representatives to present their demands to Chinese officials in a second day of heated meetings, student sources said.

Eyewitness at the Shanghai demonstration said the students, members of the Uygur Moslem minority, gathered in the centre of the port city with banners saying "Stop nuclear tests" and "Do not turn Xinjiang into a concentration camp," the source said. Nuclear tests and the Chinese practice of shipping criminals to Xinjiang were two of the main issues raised by some 400 protestors Sunday in a petition submitted at Communist Party headquarters following a demonstration in Tiananmen, in the heart of Beijing.

Chinese officials called meetings at the National Minorities Institute yesterday and today to explain to the students the reasons for China's policies, but half of the 800 students at yesterday's meeting stormed out in anger, student sources told AGENCE FRANCE-PRESSE.

Today's meeting was calmer but sullen, the students said. Students from the Minorities Institute and three other Beijing universities attending the meeting selected 30 representatives to discuss their concerns with authorities, but the answers had been unsatisfactory, they said. "They accepted our questions again today, but they haven't any answers for us," one student said.

Five Chinese officials, including four of vice-ministerial rank from the party United Front Department, the Ministry of Justice, the Commission of Nationalities and the National Educational Commission attended the meeting today, the students said. The deputy director of the United Front Department, Jiang Ping, spoke to the hostile crowd for more than an hour today through a Uygur-language interpreter, the students said.

The United Front Department is responsible for gaining the support and cooperation of non-communist groups in China.

Students said they had been told they would be let off with a warning this time, but if they again demonstrated they should expect to be punished. The students added that they believed the Nationalities Commission had intervened in their behalf.

Officials today repeated that China had carried out only 22 nuclear tests, compared with 193 for the United States, 142 for the Soviet Union, 45 for France and 22 for the United Kingdom, the sources said.

Foreign monitoring agencies have recorded at least 27 nuclear tests in China since the first Chinese atomic bomb was exploded at Lop Nor in Xinjiang in 1964. The tests have been conducted underground since 1980.

Students said Chinese officials told them today that the tests had actually improved the climate in Xinjiang, making it more like that in China proper. Officials have said that the tests have had no adverse environmental or health effects but students say it has increased incidents of cancer and leukemia.

Three times the size of France with a long border on the Soviet Union, Xinjiang is home to just 13.3 million people, half of them Moslems.

JIEFANGJUN BAO REPORTS ON STRATEGIC MISSILE STRENGTH

HK210702 Beijing ZHONGGUO XINWEN SHE in Chinese 0545 GMT 21 Dec 85

[**"China's Strategic Missile Units Already Have Considerable Strike Capability"** -- ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 21 Dec (ZHONGGUO XINWEN SHE) -- China's strategic missile units have developed to a new stage this year, and the guided missiles with which they are equipped have considerable strike capability. The scope of their firepower and the power of the missiles are unprecedented.

A report in today's JIEFANGJUN BAO says that great achievements have been scored in research into the combat use of strategic missiles. Graftifying progress has been made in many aspects ranging from exploring ideas on campaign tactics in the missile units to expounding and proving schemes for using their firepower, and from improving the capabilities of weapon systems to developing combat command systems. By now more than 300 scientific research projects in weapons and their combat application have been completed. The popularization and application of these achievements has effectively improved the capability of the missile units to survive, to respond rapidly, and to exercise combat command.

Marked achievements have been gained in modernizing the missile launching bases. By now combat bases with a large variety of missile types and launching modes have been constructed, and there are a number of ancillary basic, reserve, and mobile positions with combat, defense, and storage capabilities.

Two-thirds of the commanders and engineering and technical leadership backbone contingent at and above Army level in the strategic missile units have had tertiary education. Most of the senior leaders are capable of organizing and commanding missile launches.

JIEFANGJUN BAO says that China's strategic missile units are now able to execute combat missions independently or in coordination with other arms. They have become an important force in effecting the guiding principle of active defense.

PENG ZHEN MAKES INSPECTION TOUR OF ANHUI

OW240335 Beijing XINHUA Domestic Service in Chinese 1335 GMT 23 Dec 85

[Text] Hefei, 23 Dec (XINHUA) -- Peng Zhen, member of the CPC Central Committee's Political Bureau and chairman of the NPC Standing Committee, pointed out, during his recent inspection tour of Anhui Province, that conditions in Anhui and the whole country show that our country's political and economic situation and the trend of development are good, and that if the entire party and the people of the whole country strictly follow the guidelines of the 3d Plenary Session of the 11th CPC Central Committee, the 12th CPC National Congress and the National Conference of Party Delegates, and work hard in unity, we should achieve even greater successes in economic construction, and people's living standards will continue to improve.

Peng Zhen stressed: To stimulate China's economy, we must open to the outside world and have an identical way of thinking, taking harmonious action. All party members must think in terms of the party Constitution, the 1 billion people must think in terms of our country's Constitution, and the entire party and the whole country must strictly follow the line, general principles, and policies formulated by the party and state.

Peng Zhen arrived in Hefei late on the night of 19 December. The next day he held talks with responsible persons of the Anhui Provincial CPC Committee, the Standing Committee of the Anhui Provincial People's Congress, and the Anhui Provincial Government. During his 3-day stay in Anhui, he listened to reports by party committee secretaries of Fengyang County in the Jianghuai hills, Guoyang County in the Huabei plains, Wuwei County in the low-lying area by the river, and Jinzhai County in the Dabieshan mountainous area, an old revolutionary base; went to Hefei Bicycle Plant and Hefei Rubber Plant to visit and greet workers on duty; and met veteran comrades in Anhui. While conducting investigations and study, he took notes and discussed the problems they had on their minds.

Huang Huang, secretary of the Anhui Provincial CPC Committee, and other comrades briefed Peng Zhen on achievements in Anhui's rural reform. Peng Zhen said with delight: "It has been 25 years since I last visited Anhui. Seeing is believing. Anhui has undergone tremendous changes." He urged Anhui provincial authorities to fully capitalize on its advantages, make the best use of its geographical location near the technologically advanced areas of Shanghai and Jiangsu, step up inter-regional economic and technological cooperation and, while opening to the outside world, also open to fraternal provinces and cities to achieve a stable and balanced economic growth for itself.

When responsible comrades of the Anhui Provincial CPC Committee and county party committee secretaries talked about problems in party rectification and study activities, Peng Zhen said: It is the party which exercises overall leadership. Build it well, and everything else can be done easily.

Peng Zhen said: To consolidate and build the party well, it is primarily imperative to unify the thinking and understanding of the whole party, and elevate the whole party's ideological and political level. At the National Conference of Party Delegates, Comrade Deng Xiaoping urged the study of basic Marxist theories. This is a very important point. To achieve socialist modernization, our ideological weapon is still Marxism-Leninism-Mao Zedong Thought. All comrades of the party, in particular leading cadres at all levels, must take the lead in studying Marxism-Leninism-Mao Zedong Thought, firmly foster the ideal of communism, and earnestly practice socialism. Only thus can our cause advance along the socialist road. He said: Currently, attention must be focused on studying the party Constitution. Party members must always keep in mind the purpose of serving the people wholeheartedly. Only thus can we fully implement the party's line, principles, and policies, play a leading model role, and, winning the support of the masses of people, lead them forward. Only thus can we build the party and rectify party style well.

While having talks with several county party committee secretaries Peng Zhen said: City and county party committees are the key level, in that they implement the party Central Committee's principles and policies, understand the conditions of lower-level units, keep in contact with the people, and give guidance to work in all fields. The foundation of the party's work lies in city and county party committees. When work at this level is done well, our overall work will take on a brand new look.

Several county party committee secretaries reported that peasants were worried about the possibility of changes in the party's policies. Peng Zhen said: The general policies formulated by the 3d Plenary Session of the 11th CPC Central Committee, the 12th CPC National Congress, and the latest National Conference of Party Delegates have proved to be correct, and will not be changed. Specific measures to implement these general policies, however, should be taken according to specific local conditions, and in consideration of specific events. If they prove unworkable, they should of course be changed. These changes will certainly produce ever better results, and there is nothing to worry about.

Peng Zhen said: The policy change you mentioned, about which the masses are worried, chiefly means policies to stimulate the economy, such as the individual economy and the responsibility systems. It is stipulated in the Constitution that we enforce three ownership systems -- ownership by the whole people, the collectives, and individuals -- and the various forms of socialist responsibility systems. This is the policy formulated by our party through summarizing experience gained over a prolonged period, and it conforms to both practical conditions and Marxist principles. Marxism dictates that socialist society must enforce the principle of "from each according to his ability, to each according to his work." So it is a matter of course to enforce the responsibility system. Field management means dealing with living crops. Current agricultural production in our country relies chiefly on manual labor. This calls for the need to enforce various responsibility systems according to specific local conditions.

Wang Guangyu, chairman of the Standing Committee of the Anhui Provincial People's Congress, mentioned that the central task of the party is the central task of the people's congresses. Peng Zhen said that this was a very important point. Our common ideal is communism, and our common task building socialism. The provincial people's congresses, provincial governments, and all other offices and organizations have to work according to the principle of division of labor and coordination, shoulder their respective responsibilities under the leadership of the party, and work in unity for the realization of our common ideal.

Peng Zhen encouraged comrades of the Anhui Provincial CPC Committee and county party committees to pay the utmost attention to party-building, play the party members' leading model role in the four modernizations drive, and see to it that the party's role as the core of leadership in all aspects is realized. He pointed out: We have a huge number of party members and cadres who are infinitely loyal to socialism and communism, and our party's policies are correct. If all party members serve the people wholeheartedly, our cause will be ever victorious.

CHEN MUHUA INSPECTS SPECIAL ECONOMIC ZONES

Visits Zhuhai 11-13 Dec

HK181430 Guangzhou NANFANG RIBAO in Chinese 14 Dec 85 p 1

[**"Dispatch From Zhuhai:"** "During an Inspection Visit to Zhuhai, Chen Muhua Says That Banks Should Give More Support to the Special Economic Zones"]

[Text] Chen Muhua, state councillor and president of the People's Bank of China, inspected the Zhuhai Special Economic Zone from 11 to 13 December. Chen Muhua and her entourage arrived in Zhuhai after an inspection tour of Shenzhen.

Accompanied by Fang Bao, secretary of the Zhuhai City CPC Committee, and Mayor Liang Guangda, Chen Muhua inspected the Zhuhai-Wanchai Fiber Mill, the Huasheng Magnetic Tape Factory, the Aite Electronics Factory, the Xinghua Appliances Factory, the Hansheng Special Wire Company Ltd, and the Sino-Swiss Watch Company Ltd. During her inspection tour, Chen Muhua said: This is my second visit to Zhuhai. Rapid development and great changes have taken place in the Zhuhai Special Economic Zone over the past years, and this has made a deep impression on us. Chen Muhua pointed out: The whole country should support the special economic zones and the special economic zones should serve the "four modernizations" throughout country. Banking develops with the development of the economy and should simultaneously serve the economy. Banks should provide more support for the special economic zones.

I. 27 Dec 85

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CHINA
PRC NATIONAL AFFAIRS

Visits Shantou 15-17 Dec

HK181510 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 17 Dec 85

[Text] While inspecting Shantou, Chen Muhua, alternate member of the CPC Central Committee, state councillor, and president of the People's Bank of China, said that to develop, special zones must grasp the use of foreign funds. Chen Muhua inspected Shantou from 15 to 17 December. She inspected the Shantou Sensitive Chemistry Plant, the Shantou Special Economic Zone, the Nonghua industrial zone, the agricultural development zone, and Shantou University.

In the evening of 16 December, Chen Muhua had a cordial conversation with party and government leaders of Shantou City at the Nonghua Hotel of the special zone.

Chen Muhua said that she and comrades from the financial circles made a short visit to Shantou for the first time, but they have learned quite a lot. Shantou has developed rapidly over the past few years, which has made a deep impression on them. Chen Muhua fully affirmed the road Shantou has been taking in developing the economy. She pointed out that the Shantou Special Economic Zone has adhered to the practice of building what has been exploited and ensuring economic returns while making investment. This snowballing method is good because it stresses economic efficiency.

Comrade Chen Muhua also put forth suggestions on economic development in Shantou. She pointed out that if the Shantou Special Zone wants to develop, it must firmly grasp the use of foreign funds. She stressed that the state will be charged with arduous tasks in economic construction next year. We must carry out our work in a more planned way, try every means to expand our reserve funds, and raise more funds. In the meantime, we must export more products to earn more foreign exchange.

Stresses Macroeconomic Control

OW262114 Beijing XINHUA Domestic Service in Chinese 0756 GMT 26 Dec 85

[By reporter Cai Zhongzhi]

[Text] Guangzhou, 26 Dec (XINHUA) -- Central banks should further improve the means for macroeconomic control, strengthen banking and foreign exchange management, and flexibly apply the various economic means of the banks in order to enliven monetary work, said Chen Muhua, state councillor and concurrently president of the People's Bank of China, during a recent visit to Guangzhou.

Chen Muhua recently inspected and visited a number of factories and Sino-foreign joint ventures in Guangdong Province in order to familiarize herself with the work of local banks and to study, together with provincial party and government leaders and bank staff members, problems concerning the economic construction, foreign exchange management, and banking work. After confirming the achievements scored by the monetary circles this year in arranging funds to support the national economic construction and strengthen macroeconomic control, she urged the banks to pay special attention to the work in the following three fields in order to adapt themselves to China's economic development and economic structural reform:

First, it is necessary to bring into full play the role of people's banks as the central banks. Under the unified plan of the people's banks, all specialized banks have stepped up cooperation since the beginning of this year. The credit plan of all construction banks has been brought under the unified plan of the people's banks since late November.

This marks a reform in China's monetary system, and will play an active role in strengthening macroeconomic control. Along with the progress in the national economic construction there will be a greater demand for funds. In carrying out the work, the banks should guide the flow of funds in the direction for ensuring implementation of the principles and policies for national construction. Next year, the people's banks and all specialized banks should continue to strictly control, according to the state plan, the investment scale for capital construction. They should do everything possible to encourage more deposits and effectively arrange funds. They should also help enterprises dispose of stockpiled materials, speed up the turnover of funds, and support the production of enterprises already possessing forces of production.

Second, it is necessary to improve the quality of the contingent of banking cadres. The current political awareness and administrative skills of banking cadres are incompatible with the continuous development in monetary work. Therefore, in order to raise their administrative skills, it is necessary to infuse new blood into the contingent of banking cadres while conducting their training in a planned manner. Whether or not the banking cadres administrative skills can be quickly improved is a matter that merits universal attention and concerns the smooth progress of China's monetary work and its reform.

Third, it is necessary to intensify political and ideological work. Cases of violation of law and discipline, some very serious, still exist in banking departments. The banks should pay keen attention to political and ideological work in order to enhance the banking cadres understanding of ideology and policies. Political and ideological work is a job of the party committee, personnel department, and trade union, and can become effective only when it is closely combined with administrative work.

BANKS HELP PUT ECONOMY BACK ON 'NORMAL TRACK'

OW251051 Beijing XINHUA in English 0748 GMT 25 Dec 85

["Round-up: Chinese Banks Help Economy" -- XINHUA headline]

[Text] Beijing, December 25 (XINHUA correspondent Shi Xiaofan) [dateline as received] -- Chinese banks have helped put the nation's economy back on its normal track by tightening controls over currency and loans and shifting money to essential enterprises in 1985.

The money supply, almost out of hand in late 1984, has been kept within the state plan and the country's foreign exchange reserves have been stabilized.

Loans for construction projects and rural undertakings, once bloated out of proportions, have been brought under control, says a year-end review of the financial departments.

Fiscal deposits from central and local governments in the People's Bank -- China's central bank -- in September were 44.8 percent more than in the same 1984 period thanks to intensive banking measures.

Similar efforts have enabled China to eliminate its budgetary deficit, which stood at five billion yuan in 1984, while increasing state revenue by an estimated 20 percent this year, the review says.

Beginning from the fourth quarter of 1984, China found itself assailed by a chain of problems such as excessive supply of money and loans, overheated speed of production and shortage in the supply of raw materials. Loans for rural enterprises in March and April of 1985 were about 16 percent more than permitted by the annual plan. It was in this situation that the Chinese Government asked the People's Bank of China to strengthen overall control on money supply and credit while keeping the economy going.

It also ordered the four specialized banks, the Industrial and Commercial Bank, the Construction Bank, the Agricultural Bank and the Bank of China (a foreign exchange bank), to carry out the same decision without fail.

In late November, Chen Muhua, governor of the People's Bank, announced that the money supply had been kept within state plan limits, and the dip in foreign exchange reserves had been curbed. This was followed by further announcements about the other financial achievements toward the end of the year.

The rate of industrial growth, which was as high as 23.1 percent in the first half of this year, was brought down to a normal 8.8 percent in November.

One of the stringent measures taken by the banks to achieve all this was halting loans for capital construction and technical transformation projects which were outside the state plan. Others included carefully studying projects in need of loans, recalling due and overdue loans, and strictly confining the growth of wage and bonus to the level of March 1985.

The central bank twice raised the interest rates on saving deposits. The annual interest rate on one-year savings deposits, for example, was raised from 5.76 percent to 7.20 percent. On the other hand, interest rates on loans for fixed-assets investment were raised. As a result, savings went up and loans came down.

While exercising control, priority on loans continued to be given to key state projects and enterprises producing export commodities and goods most in demand. To encourage projects meeting the urgent needs of the general public, they are given the additional benefit of certain deductions in interest on loans.

In another move to support good enterprises and curb bad ones, the central bank has authorized the Industrial and Commercial Bank and the Agricultural Bank to issue two billion yuan of high-interest financial bonds to back up partially completed projects which promise good economic returns. This is the first time since 1949 that China has issued this kind of bonds which can be bought on the domestic market.

In order to provide sufficient funds for purchasing farm produce, export commodities and needed goods, the specialized banks have regulated funds through inter-bank shifting of cash. They have also amassed sufficient cash to support the government's wage reforms for its 20 million employees and for middle and primary school teachers.

Chinese banks, however, still lack experience in exercising overall controls while enlivening the economy, Chen Muhua notes in an article in the RED FLAG, organ of the Central Committee of the Communist Party of China.

The contradiction between the demand and supply of funds will exist over a long period of time and special effort has to be made to tackle this problem.

JINGJI RIBAO ON IMPROVING FINANCIAL SYSTEM

HK240901 Beijing JINGJI RIBAO in Chinese 14 Dec 85 p 3

[**"Theoretical Digest:" "Xue Muqiao on Developing and Improving the Financial Industry"**]

[Text] JINRONG YANJIU [FINANCIAL RESEARCH], No 11, carried an article by Comrade Xue Muqiao on several problems that should be taken into consideration in developing and reforming financial undertakings.

First, we must perfect the financial management system. We must not only strengthen the central bank's management and control capacities but also expand the decision-making power of the large number of basic-level banks in their operations. The central bank must have adequate capacities to control the amount of money in circulation and the extent of credit in line with the State Council's regulation and guard against an expansion of credit. This has now become an important factor in guaranteeing the steady and continuous growth of the national economy. The central bank and specialized banks must be good at adopting economic means to absorb idle money from society to the fullest extent, and to direct loan funds to where they are most urgently needed and most productive in economic results. To absorb all available idle funds and speed up capital turnover is at present a relatively effective means of reducing the supply of money and guaranteeing the production and circulation of commodities.

Second, we must clearly define the relations between a local government and a bank. In the past, our economic control system was marked with the defect of nonseparation of governmental and enterprise functions, with too much interference from local government and no respect for a bank's decision-making power. A bank is an economic entity. In granting credit, it must make a full investigation to check an enterprise's solvency and divert loan funds to where they give the best economic results. A local government's supervision of banks should be a matter of seeing that they implement relevant policies and decrees and not asking them to freely grant loans in violation of such policies and decrees.

Third, our main way of preventing an expansion of credit in the past was to provide for a given amount of credit. After fixing an amount of credit, various specialized banks and their local branches often direct excessive loan money to fixed assets without considering the need of liquid funds. This forced the state to go beyond fixed limits in providing additional loan funds. The central bank should take various economic measures to control the extent of credit and use interest flexibility as a lever. It must also call upon various specialized banks to put a given proportion of deposits received in the central bank (now 10 to 30 percent) as reserve funds. Given too large a scale of capital construction, we should properly raise the rate of interest on loans for capital construction and shorten the duration of a given loan, thus discouraging the free undertaking of construction projects with bad economic returns. Concerning those construction projects which are urgently needed for national economic development but do not allow the timely payment of principal and interest, we can use the method of obtaining a subsidy in interest from the central bank or a local financial department, thus allowing the continued use of relevant bank loans.

Fourth, we must raise the ability of bank cadres at various levels to handle things in their given fields, and their level of policy awareness. This is an essential condition for a bank's proper exercise of its decision-making power.

GUANGMING RIBAO ON PROMOTING ECONOMIC DEVELOPMENT

HK260450 Beijing GUANGMING RIBAO in Chinese 14 Dec 85 p 3

[Article by Wang Shaofei: "Using National Debts [Guo Zhai 0948 0280] To Promote Economic Development"]

[Text] In the socialist planned commodity economy, how to use national debts to promote economic development is an important theoretical and practical question. Proceeding from the idea of reforming the present national debts management system, this article proposes some general opinions.

National Debt and Financial Deficit Are Different

To be concise, national debts, also called national credit or public credit, is a kind of credit which is initiated and is to be obligatorily repaid by the state. The extensive development of the national credit system (national debt system) was realized only after the full development of a modern commodity economy.

Like bank credit, national credit is also a product of the commodity economy. Along with the development of the commodity economy, national credit also correspondingly develops. In the past, as the commodity economy was negated, people adopted a negative attitude toward the necessity and roles of various types of credit related to the commodity economy. Because having neither external nor internal debts was regarded as a superiority of socialism, in addition to short-term bank credit, commercial credit was also banned and national credit was rejected as something beyond the socialist system. However, in recent years, some people have gone to another extreme, believing that the more debts, the better. In fact, regarding having neither external nor internal debts as a superiority of socialism is a kind of historical limitation. The belief of the more debts, the better, is similarly a product of a certain historical period and a kind of historical limitation. National debt is a kind of credit conditioned by the repayment of both principal and interest, so the contracting and the repayment of debts (including the repayment of interest) should also be based on the national capability. A country's capability of handling national debt depends on its economic strength and the actual economic effectiveness of the use of national debts, that is, whether it can use national debts to effectively promote economic growth.

Because contemporary capitalist countries often use their national debts as a means of compensating for deficits, some people wrongly believe that national debts and financial deficit are of the same nature, thus mixing up these two different economic categories. Financial deficit is the difference between normal (or, current) revenue and expenditure for the year. Methods of compensating for financial deficits include raising taxes (increasing tax rates or levying new taxes), soliciting bank loans (including making overdrafts), issuing more bank notes (finance issue), using the state's credit to raise loans (issuing bonds, treasury bills, and so on), borrowing money from foreign countries (international credit), and so on. Financial deficit and the methods of compensating for financial deficit are two different concepts. National debts (or national credit) can be used to compensate for financial deficits as well as be put to other uses. If it has no financial deficit, the state can use national credit to absorb social funds so as to accelerate the development of the national economy. In the socialist modernization drive, it is necessary to avoid financial deficits and properly use national debts to absorb social funds so as to promote economic development.

Bring Into Play the Positive Role of National Debts

In addition to its fundamentally different roles under different social systems, national debts also have both positive and negative roles to play under any particular social system.

Judging from the practice of economic construction in our country, the positive roles of national debts are as follows:

1. National debts are an effective way to use the credit of the state to absorb social funds so as to make up for the lack of construction funds. In the 1950's, we handled the difficulties in obtaining sufficient construction funds by issuing several billion yuan in economic construction bonds. During the Sixth 5-Year Plan period, we issued over 20 billion yuan in treasury bills to compensate for financial deficits and accumulate construction funds. Under the circumstances of the coexistence of bank credit and national credit, although national debts can offset a part of bank deposits, national credit and bank credit are different. First, national credit is conditioned by the legal credit period and is more stable and reliable than bank credit. During the legal credit period, the state can steadily accumulate some revenue to raise funds for long-term construction projects. Second, since the issuance volume and credit period of national credit are set by the state, the state, as a debtor, is in an active position and is free from the control of creditors (excluding external debts). However, as the deposit volume and credit period of bank credit are set by creditors, banks are in a passive position. Third, national credit can absorb those funds which bank credit cannot absorb, so as to meet the needs of the people to invest in the country and find an alternate way of saving their money.
2. National debts can coordinate the proportional relationship between accumulation and consumption and readjust the structure of demand. Under the circumstances of the excessive growth of consumption funds, by issuing an appropriate volume of national debts, we can cut down some consumption funds, withdraw currency from circulation, and reduce the social demand for spending. This is important for stabilizing currency value and maintaining a basic balance between general social demand and supply.
3. National debts are conducive to controlling the investment scale of fixed assets, readjusting the investment structure, and ensuring funds for key projects. Over the last few years, the investment scale of fixed assets has swelled, non-key construction projects have been abundant, and funds have been scattered. This situation is mainly characterized by the rapid growth of unbudgeted funds and bank loans for investment in fixed assets. Apart from the overissuance of bank bills, one of the important reasons is that the source of enterprises' funds is out of control. By issuing national debts we can put some of the money of enterprises (including collective organizations), individuals, or even banks into the hands of the state and reduce the enterprises' capability to make investments and banks' capability to issue loans. Meanwhile, with the funds absorbed through national debts, we can help promote the top priority projects of the national economy, readjust the irrational investment structure and ensure funds for key construction projects.

The positive roles of national debts are objective. Handled properly, they can become a means of macro control to effectively promote economic growth. On the other hand, if mishandled, national debts can play negative roles. Because national debts are based on the repayment of principal and interest, if the economic effectiveness of the management of the national debts is not ideal, repaying principal and interest will aggravate the financial burden and eventually result in insurmountable economic crises. Since having national debts means using future revenue, if the economic effectiveness of the management of the national debts is not ideal, it will cause difficulties for future economic development or even give rise to economic recession or a dependence on foreign countries (here referring to the case of being overburdened by external debts). As national debts consume future products, they could result in a transfer of the burden, leaving posterity with heavy debts.

Finally, if national debts exceed a certain limit, for example, if all the newly produced national income has to be paid out as interest, it will bring about changes in distribution and economic structures and qualitative changes in economic relations.

National Debts Must Be Separated From General Financial Revenue and Expenditure

In order to bring into play the positive roles of the national debt and avoid the negative roles resulting from mishandling, it is necessary to adopt a management system different from that of general financial revenue and expenditure, to separate the operations and management of national debts from general financial revenue and expenditure, to institute a special budget for special funds, and to set up special management organizations. Our tentative idea is that along with the perfection of the tax system, after the abolition of regulatory tax, we might properly readjust those former industrial and commercial financial organizations, set up a national credit department, introduce unified management of the revenue and expenditure of national debts (including both internal and external debts), and work out a national debt revenue and expenditure budget as an appendix to the national budget and exercise separate management of these. The advantages are as follows:

1. Separating national debts from general financial revenue and expenditure is conducive to maintaining a basic balance between financial revenue and expenditure and between general social demand and supply. As financial revenue and expenditure belong to the distribution process of the national income newly produced each year, under normal circumstances its scale should be confined to the surplus products produced in the year. Although national debts can also play a role in redistribution (as far as the current income is concerned), they should be repaid with future income. As far as the national income which can be used in the year is concerned, if other conditions do not change, overspending will give rise to excessive distribution of national income and unbalance the general social demand and supply. However, national debts are a redistribution of current income, which only affect the use and structure of income but not the general scale of revenue and expenditure of the year. As far as the general financial revenue is concerned, it should first be used for investments which can easily bring in returns, but not as maintenance expenditure. By so doing we can maintain the basic balance between financial revenue and expenditure and between general social demand and supply and avoid the ineffective use of national debts. If we mix up the revenue of national debts and the general financial revenue and expenditure, we will strike a false balance between financial revenue and expenditure, which is unfavorable to maintaining the balance between general social demand and supply.

2. Separating national debts from general financial revenue and expenditures and instituting a national debt budget as special funds are conducive to directly linking the issuance of national debts with construction projects. After determining projects falling into the category of state credit investment and committing construction units to repaying the national debts, we should determine specific persons in charge of the work, their economic responsibility and goals, and ensure that after completion, the profits of the newly built projects will be used to repay both principal and interest. If the economic effectiveness of these construction projects is very poor, when the debt falls due we can use the assets of the newly built projects to make good, thus avoiding a serious financial burden and avoiding being a hindrance to future economic development. As a result, not only can we make policy-making organs and construction units have a clear and definite debt concept, conscientiously study the feasibility of new projects, and undertake the economic responsibility (for repaying national debts) for economic effectiveness, but also bring under control the impact of capital construction investment on budget balance and reduce the fund-raising capability of society, thus contributing to controlling the investment scale and increasing the economic effectiveness of investments.

3. It is conducive to bringing into play the regulatory role of national debts. In the planned commodity, under the circumstances of scattered funds and a multilevel investment structure, national debts can become an effective means for readjusting the investment scale and investment structure and play an important role in macroeconomic control. If we mix up national debts and general revenue and expenditure, we could make national debts become merely a means to meet financial deficits, thus restricting the regulatory role of national debts.

DENG LIQUN AT SHANGHAI MEETING ON ENTERPRISES

OW260619 Shanghai City Service in Mandarin 2300 GMT 24 Dec 85

[Text] The Shanghai Municipal CPC Committee and the municipal people's government held a meeting at the Shanghai Gymnasium yesterday afternoon to sum up consolidation of enterprises and commend some of them in the municipality.

More than 16,000 people attended the meeting, including Deng Liqun, member of the CPC Central Committee Secretariat; Zeng Zhi, member of the Central Advisory Commission; Zhao Yinhua, deputy head of the National Leading Group for Enterprise Consolidation; Hu Chunazhi, general manager of the China Shipbuilding Industry Corporation; Rui Xingwen, Jiang Zemin, Hu Lijiao, Wang Daohan, Yang Di, Huang Ju, Wu Bangguo, Sun Guizhang, Zhang Dinghong, Zeng Qinghong, Pei Xianbai, Zhu Zongbao, Ni Tianzeng, Ye Gongqi, and Zhou Bi, leading comrades of the municipality; and cadres from various fronts in Shanghai.

Huang Ju, deputy secretary of the municipal party committee, presided.

At the meeting, Vice Mayor Zhu Zongbao made a report entitled: "Consolidate the Achievements in Enterprise Consolidation and Take New Steps To Comprehensively Improve Enterprise Quality." He said: Through the concerted efforts of organizations at various levels and enterprise cadres, workers, and staff members, the 9,585 enterprises planned by the state and the municipality for consolidation had been consolidated, checked, and accepted by the end of the third quarter of 1985. Thus, we have successfully accomplished the task set by the central authorities in consolidating all enterprises before the end of 1985.

In his report, Zhu Zongbao put forward the following five views on the work for next year:

1. It is necessary to continually implement State Council regulations on vesting enterprises with greater decision-making powers, and vigorous efforts should be made to invigorate big and medium-sized industrial enterprises.
2. It is necessary to guide enterprises in further improving and strengthening their management and operations, so that they will be able to raise their economic results.
3. Conscientious efforts should be made to strengthen basic work in enterprise management and systematically popularize methods of modern enterprise management.
4. Persistent efforts should be made to simultaneously build a material and spiritual civilization, and strengthen ideological and political work in the enterprises.
5. Continued efforts should be made to strengthen the building of enterprise leading bodies and experiment in the reform of the leadership system in enterprises.

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At the meeting, Huang Ju read the Shanghai Municipal Enterprise Consolidation Leading Group's decision on commendation of enterprises which had made remarkable achievements in their consolidation. The Shanghai Electrical Machinery Plant, the Shanghai Steam Turbine Plant, and 579 other enterprises were commended for their achievements.

DENG LIQUN ON THEORY AS KEY ISSUE IN MACROECONOMY

OW261202 Shanghai City Service in Mandarin 2300 GMT 24 Dec 85

[Text] Deng Liqun, member of the Secretariat of the CPC Central Committee, recently attended three discussion sessions respectively with press and publication, theoretical, and workers' reading groups in Shanghai. During the meetings, he stressed the question of theory as the most important and principal issue concerning the macroeconomy.

Comrade Deng Liqun said: A fundamental strategic assignment for ideological and theoretical circles and comrades engaged in the work concerning ideologies today is to study the overall planning of diversified economic forms and management methods with the state-run economy as the mainstay, along with rational arrangement for diversified economic forms and their individual plans. He urged all comrades to show concern for this assignment in order to facilitate the reform and the building of material and spiritual civilization.

Speaking highly of the activities of the Shanghai workers' reading groups at the meetings, Comrade Deng Liqun said: The activities reflect the Shanghai working class' growth and outlook in the new historical period and set a good example for the whole country. They are very meaningful and should be continued.

During his stay in Shanghai, Comrade Deng Liqun also visited the Baoshan Iron and Steel Complex, Jiangnan Shipyard, Shanghai No 2 Radio Plant, Lianyi Building, and Shanghai Bookstore of Ancient Books.

CONSTRUCTION OF KEY COAL MINES ACCELERATED

OW241244 Beijing XINHUA in English 1214 GMT 24 Dec 85

["Round-up: China Accelerates Construction of Key Coal Mines" -- XINHUA headline]

[Text] Beijing, December 24 (XINHUA) -- China is accelerating the construction of 31 large coal mines to ease strains on the country's energy supply, the Ministry of Coal Industry said here today.

Coal accounts for 70 percent of China's energy supply. For several years, the country annually has been short 20 million tons of coal, according to Chinese energy officials.

The 31 mines, most of which are set to open in the next five years, are expected to produce a total of 74.1 million tons annually when in full operation. They are expected to become the backbone of the country's coal industry as some existing mines are gradually exhausted beginning in 1991.

China's coal output this year is expected to be 830 million tons and to reach 1.2 billion by the year 2000.

The 31 mines of the 14 key coal projects designated at the beginning of the Sixth Five-Year Plan period in 1981, are located in northeast China, a major heavy industry centre, and the northern and eastern parts of the country which are more economically developed areas.

The new mines belong to the 14 key coal projects undertaken since 1981, the first year of the Sixth Five-Year Plan.

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Energy authorities said the mines will be built according to the new contract responsibility system under which the central government provides capital investment and building materials while state-owned construction companies guarantee quality and deadlines and receive bonuses for early completion.

According to energy officials, this system brings into full play the initiatives of the contractors as well as the advanced technology, equipment and design that the central government can provide. As a result, the average time needed for building a large coal mine has been cut by four years to six.

Nineteen coal mines also belonging to the 14 key coal projects have already gone into production in the Sixth Five-Year Plan period. These mines have a combined designed annual production capacity of 29.64 million tons, and six of them have an annual capacity of three million tons each.

In the 1981-1985 period, a total of 1.51 billion U.S. dollars of foreign funds have been used for 12 underground and open-cast mines, including the construction of seven with Japanese energy loans, and the Antaibao open-cast coal mine with a designed annual production capacity of 15 million tons in north China's Shanxi Province undertaken by China and the Occidental Petroleum Corp. of the United States.

All these newly-built mines will be semi-mechanized and 70 percent of them will fully mechanize their coal cutting.

Safety and environmental protection of the new mines are to be greatly improved. Most of them are to be equipped with automatic gas monitors and their management to be computerized.

ELECTRICITY PRODUCTION TARGET PREFULFILLED

OW240920 Beijing XINHUA in English 0754 GMT 24 Dec 85

[Text] Beijing, December 24 (XINHUA) -- China has met its target set for this year's electric energy production nine days ahead of time, the Ministry of Water Resources and Electric Power announced today.

The target electricity production of 396 billion kilowatt-hours was met on December 22. This represents an 8.5 percent increase over the same period last year.

Electric energy production is expected to reach 406 billion kwh this year.

By the end of last year, China had already met its quota set for the five years from 1981 to 1985, one year ahead of time.

LARGE NUMBERS OF JOBLESS GAIN EMPLOYMENT

OW240633 Beijing XINHUA Domestic Service in Chinese 0237 GMT 24 Dec 85

[By reporter Huang Fengchu]

[Text] Beijing, 24 Dec (XINHUA) -- Some 30 million people in China's urban areas have been provided with employment during the Sixth 5-Year Plan period. This exceeds the record for any of the previous 5-year plan periods.

After the 3d Plenary Session of the 11th CPC Central Committee, the "left" error was corrected in developing the economy and providing employment in both urban and rural areas. A series of principles and policies suited to the actual situation were set up. In addition, the state has given financial assistance and granted tax exemption to support the work of employment. This, plus the support from various quarters of society, has resulted in significant progress in providing employment to jobless people in cities and towns during the Sixth 5-Year Plan period. Such progress is manifested mainly by the following:

-- The original plan was to make jobs available for some 37 million urban people in various parts of the country during the Sixth 5-Year Plan period. During the first 4 years of this period, jobs were provided for 31 million people, bringing the rate of unemployment from the 1979 level of 5.9 percent down to 1.9 percent.

-- Efforts have been made to adjust the structure of the ownership system, thus opening new job opportunities. Under unified planning and guidance by the state, a new principle has been put into practice characterized by a combination of jobs through placing by labor departments, those resulting from private undertakings organized by the jobless people on a voluntary basis, and those obtained by jobless people themselves. In recent years, about 70 percent of the job opportunities in urban areas were created by the establishment of collective economic units and individually-operated economic undertakings. This has basically changed the previous practice of waiting for recruitment by publicly-owned enterprises as the only way to obtain employment.

-- Labor service companies have been established. These companies which serve to adjust the labor forces in urban areas, are a good form of organization for the successful development of employment. Now there are more than 23,900 labor service companies of various kinds, and some 5 million people have obtained jobs through them. In addition, these companies have given pre-employment technical training to some 1.4 million senior and junior middle school graduates, resulting in the improvement of their political and cultural qualities, as well as their technical attitude.

-- Efforts have been made to readjust the structure of production and the makeup of technical personnel requirements. Energetic work has been done to develop the light and handicraft industries, commerce, the catering business, service trades, repair work, and other labor-intensive undertakings, thereby providing conditions for more job opportunities. Of the net increase in the industrial output value over the past few years, two-thirds were attributable to the development of light industry, while only one-third was due to the growth of heavy industry. Commerce, the catering business, and service trade have become economic sectors employing relatively large numbers of people.

SHANGHAI, OTHER CITIES JOINTLY DEVELOP CHANG JIANG

OW241125 Beijing XINHUA Domestic Service in Chinese 1152 GMT 23 Dec 85

[By reporters Hua Huiyi and Tang Zurong]

[Text] Chongqing, 23 Dec (XINHUA) -- In order to speed up economic revitalization in the Chang Jiang Valley, the mayors of Shanghai, Nanjing, Wuhan, and Chongqing recently met in the mountainous city of Chongqing, preliminarily implementing various measures and deciding to expand their lateral contacts with each other and jointly develop and utilize the Chang Jiang's resources.

The Chang Jiang is our country's "golden waterway," and the Chang Jiang Valley occupies an important position in our country's economic construction. The Chang Jiang, which runs from the east to the west, is an ideal economic channel linking the eastern, the central, and the western parts of the country.

Therefore, strengthening the joint cooperation among the central cities along the Chang Jiang and speeding up the development of the "golden waterway" Chang Jiang are important in speeding up economic construction in all spheres. The development and utilization of the Chang Jiang has always been of great concern to the leading comrades of the party Central Committee and the State Council. On 30 August this year, Chongqing, Wuhan, and Nanjing jointly wrote a report for the Central authorities regarding the strengthening of lateral contacts among the cities along the Chang Jiang and the promotion of the joint economic development of the Chang Jiang Valley. The report promptly met with the approval of the central leading comrades. A responsible person of the State Commission for Restructuring the Economic System highly evaluated the report as "a beneficial probe."

At the recent meeting, Shanghai, Nanjing, Wuhan, and Chongqing, based on the spirit of equal consultation, mutual benefit, proceeding from reality, doing practical work, and seeking practical results, as well as the principles of proceeding from easy work to difficult work, from small scale to large scale, and from loose contacts to close contacts, planned to carry out cooperation in the near future in eight aspects, including the development of a joint transport business, coordination in tourist undertakings, organization of commodity circulation channels, strengthening of economic and technological cooperation, promotion of scientific and technological exchanges, enlivening capital circulation, facilitating posts and telecommunications, and exchanging economic information.

In order to do a still better job in organizing and giving impetus to the contacts and cooperation among the cities along the Chang Jiang, Shanghai, Nanjing, Wuhan, and Chongqing also inaugurated an economic coordination society for the central cities along the Chang Jiang. As work progresses, the coordination society's scale will gradually be expanded to absorb more central cities along the Chang Jiang as members.

PLA LEADING ORGANS ISSUE CIRCULAR ON WORK STYLE

OW212138 Beijing XINHUA Domestic Service in Chinese 1258 GMT 21 Dec 85

[Text] Beijing, 21 Dec (XINHUA) -- The PLA General Political Department and the Central Military Commission issued a circular on 20 December, calling on party committees, discipline inspection commissions, and organizations at all levels in the whole Army to resolutely implement the guidelines laid down in the notice issued by the General Office of the CPC Central Committee and the General Office of the State Council.

The circular pointed out: The "notice on solving some serious problems with regard to work style in various organizations at present" issued by the General Office of the CPC Central Committee and the General Office of the State Council completely conforms with actual situation in the Army. The problems pointed out in the circular also exist in the Army. Some of the problems are even more serious in some leading organs and among some leading cadres. These problems are extremely harmful to Army building, as they run counter to the aim of the party and seriously undermine party and Army work style. They must be resolutely corrected since they spread extremely evil influences inside and outside the Army. In this connection, party committees, discipline inspection commissions, and organizations at all levels must earnestly solve the existing problem according to the guidelines and requirements laid down in the "circular" by extensively mobilizing and educating everyone to conscientiously check and handle all cases during this winter and next spring.

The circular called on party committees and organizations at all levels to take the initiative to examine themselves against the six problems pointed out in the "circular." In checking and dealing with unhealthy trends, it is necessary to proceed from the PLA general departments, the major military regions, and the various arms and services of the PLA and from principal leading cadres.

Leading cadres and organs must set good examples for those at the lower level. It is necessary to strictly enforce discipline and refrain from saying, "Just this time." The results in handling all serious problems must be made public. We must not become overly lenient. Still less should we hide facts by revealing the truth.

The circular emphatically pointed out: While raising their awareness in checking and handling all cases, various units must formulate concrete and realistic measures to deal with existing problems that have cropped up in the course of developing activities of the party, consolidating administration, accepting supervision by the masses, and dispensing rewards and punishments impartially. They must set up and improve rules and regulations and openly announce checkup schedules to all cadres and fighters.

The circular called on party committees at all levels to conscientiously study how to circulate and implement the guidelines laid down by the circular of the General Office of the CPC Central Committee and the General Office of the State Council so that such guidelines will be carried out in a planned and step-by-step manner. It is necessary to proceed from oneself and from the organization at one's own level. Under this premise, we must pay full attention to the unit at the next lower level with each unit helping the one below it. Discipline inspection departments and organizations in charge of the matter at all levels must coordinate with each other, dare to handle all cases, strictly conduct checkups, and deal with the problems according to the requirements laid down by the circular, firmly shouldering their responsibilities. It is essential to extensively and meticulously carry out ideological and political work, arouse cadres to examine existing problems themselves, and give wide publicity to advanced deeds and individuals who dare to resist unhealthy trends. We must implement the "circular" in close connection with party rectification, study it as a major article in carrying out party rectification, and use it as an important measure to consolidate and develop the achievements in carrying out party rectification.

PLA MODEL REPORT GROUP'S ACTIVITIES PRAISED

OW180210 Beijing XINHUA Domestic Service in Chinese 0224 GMT 17 Dec 85

[By reporters Liu Nanchang and Wang Zhiyun]

[Text] Beijing, 17 Dec (XINHUA) -- On the occasion of the PLA Report Group on Heroic Models' Deeds concluding its activities, a spokesman of the Propaganda Department of the CPC Central Committee, in an interview with XINHUA, spoke highly of the vital effects and great significance of the reports made by the group, saying that these reports had given people all over the country a dynamic, convincing education in high ideals and discipline. It is necessary, he stressed, to continue developing in depth the campaign to "emulate the heroic models and make contributions to revitalizing China."

The spokesman said: During the past 2 months and more, the 7 sub-groups of the PLA Report Group on Heroic Models' Deeds toured the 29 provinces, municipalities, and autonomous regions, and held approximately 1,000 report sessions. More than 5 million people attended these sessions to directly hear the reports, which evoked widespread and strong repercussions. People of all ages, experiences, and occupations were deeply moved by the heroic models' lofty character and stirring deeds, and received strong inspiration from them. Many leading cadres vowed to learn from the heroic models and be vanguards in the drive for socialist modernization. Many young students expressed the determination to treasure all the more the excellent situation of stability and unity and the fine environment, and strive to learn hard and study painstakingly to become successors in the communist cause. The broad masses of workers, peasants, and intellectuals pledged to perform meritorious service and make more contributions in carrying out the Seventh 5-Year Plan, which will begin next year.

In all localities, the masses describe the reports on heroic models' deeds as "songs of the healthy tendency of the 1980's."

The spokesman stressed: The party Central Committee's decision to form the PLA Report Group on Heroic Models' Deeds to report to people in various parts of the country, was an effective measure to implement the guidelines set at the National Conference of Party Delegates, vigorously step up the building of socialist spiritual civilization, and bring about a fundamental turn for the better in party spirit and the standards of social conduct. Through itinerant reporting, the heroic models' stirring deeds and advanced thinking have gone even deeper into the hearts of the people. This has given, and undoubtedly will continue to give, an immense impetus to the ongoing reform of the economic structure and the building of the two civilizations in our country.

Analyzing the reason for the great influence of the heroic models' reports, the spokesman said: Our times have produced the heroic models, and they, in turn, have added luster to our times. The people have nurtured the heroic models, who are encouraging the people to advance. The honorable, healthy spirit displayed by the heroic models in working hard for the motherland, and being willing to sacrifice all they have in order to do so, has demonstrated to the masses of people the communists' lofty spirit of wholeheartedly serving the people and the breadth of their vision. This is also a blow against the unhealthy trends and those decadent phenomena corroding the body of socialism. It has enabled the masses of people to further enhance their confidence, courage, and strength to effect a fundamental improvement in our party style and the standards of conduct in our society.

Concluding his talk, the spokesman of the Propaganda Department of the CPC Central Committee said: Leading comrades at the central level have proposed that advanced individuals be organized to go among the masses to give lectures, and this should be carried out in a planned way as a task of great importance. The PLA Report Group on Heroic Models' Deeds has made a good start in this regard. In the days to come, we should further arrange, in a planned and methodical way, for advanced individuals to give reports and lectures in various places and on various fronts. All localities and trades are requested to strengthen leadership over this kind of activity and see to it that they develop continually in a deep-going and down-to-earth way.

RECTIFICATION FACILITATES AIR FORCE REORGANIZATION

OW221556 Beijing XINHUA Domestic Service in Chinese 0311 GMT 22 Dec 85

[By reporter Chai Shanwu]

[Text] Beijing, 22 Dec (XINHUA) -- The rectification of PLA Air Force party organizations has expedited and ensured the smooth progress of its reduction-in-strength reorganization.

This reporter has learned from the on-going enlarged meeting of the Air Force CPC Committee that by the end of November the second group of Air Force units engaged in second-stage party rectification had accomplished their party rectification projects soundly and smoothly in accordance with the centralized planning of the Central Military Commission. Inspection shows that more than 90 percent of the units' performance was satisfactory.

According to a leading member of the Air Force's leading organ, the Air Force units taking part in second-stage party rectification were charged with the heavy responsibility of reduction-in-strength reorganization, which included the closure, downgrading, or merger of some units. Thanks to the rectification of party organizations, these units' reduction-in-strength reorganization was expedited. In turn, the reorganization served as a yardstick to assess the performance of party rectification.

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At present, in units engaged in party rectification, the closure, merger, reorganization, and establishment of corps-level or higher organs have all been accomplished on time; the reorganization of units of various services and arms has been basically accomplished; and the organs handling the defunct units' unfinished jobs have begun to operate. Most of the cadres to be demobilized after the reorganization know what to do. The reduction-in-strength quota has been fulfilled: Some 18,000 military cadres have already been transferred to local authorities; the reassigning of pilots to training units has been completed; and tens of thousands of fighters have been demobilized smoothly. According to a comrade of the office in charge of party rectification in the Air Force, party rectification has ensured and expedited its reduction-in-strength reorganization.

During the second-stage party rectification, which started gradually early this year, the second group of Air Force units intensified their ideological and political education among party members in the course in reduction-in-strength reorganization, emphasizing that Communist Party members must properly handle the relationship between their personal interests and the interests of the revolutionary cause, and must always be prepared to serve the people wholeheartedly and selflessly. The party members were also reminded that, as party members, their work style must be proper, their party spirit must be heightened, and they must strictly abide by discipline. Because of such ideological education during the course of party rectification, large numbers of party-member cadres came to realize the overall needs and obeyed the party committee's arrangements, and the reduction-in-strength reorganization proceeded smoothly. During the course of reduction-in-strength reorganization, the dozens of anti-aircraft artillery and surface-to-air missile units kept reminding themselves of the overall needs and the guiding principles. They gave neither dinner parties nor gifts, nor did they indulge in lavish eating and drinking. Veteran cadres voluntarily vacated their posts; and large number of cadres, after learning they were to be demobilized, volunteered to take care of the last responsibilites. The several dozen division-level cadres, after being informed of their demotion, pleasantly accepted their new assignments, and they have worked just as efficiently and energetically in their new posts as before. Knowing that they would soon be out of the service, the 100 or so political cadres working at and above battalion-level units of the Air Force under the Jinan Military Region held fast to their posts and set an example in carrying out all regulations and rules and in resisting unhealthy practices, and their deeds helped expedite the smooth progress of the Air Force's reduction-in-strength reorganization.

LI PENG URGES MORE HEAVY-, LIGHT-DUTY VEHICLES

OW261058 Beijing XINHUA in English 1038 GMT 26 Dec 85

[Text] Beijing, December 26 (XINHUA) -- Vice-Premier Li Peng today said that while trying to improve the quality of three-to-five ton motor vehicles while not increasing their number, China's automotive industry should aim at increasing the output of heavier trucks and light-duty vehicles by a large quantity.

Speaking to a national conference on the automotive industry, Li Peng explained that more heavy- and light-duty vehicles were called for by the development of the national economy and people's improved living standard. He said that the state has been trying to improve the capacity of railway transport. Meanwhile efforts have also been made to reduce the pressure on railways by gradually enlarging the capacity of short-distance motor vehicle transport. Measures to reduce the cost of highway transport and raise that of railway transport have been, or will be adopted, Li said.

He also pointed out that the current rural economic trend toward commodity production has led to an increasing need for light-duty trucks. He suggested that China's automotive enterprises take into consideration the production of cheap private cars. Some better-off rural and urban households would be able to afford these cars, he added.

Turning to the expansion of production scale, Li Peng said that the automotive industry will expand at a speed a little higher than that of the national economic growth. And the state will make appropriate economic policies to protect and benefit the development of national motor vehicle production.

It was his idea that by fully tapping the potentiality of existing enterprises, and by carrying out technological reform, automotive plants should guarantee the quality and quantity of domestically-made motor vehicles. He said only in this way could China's numerous manufacturers, parts and accessories plants finally merge into a few big complexes and turn out better motor vehicles. He promised that the state would use price and taxation to encourage cooperation between parts and accessories plants.

LI PENG CALLS FOR IMPROVEMENT IN TRAFFIC SERVICES

OW261120 Beijing XINHUA in English 1105 GMT 26 Dec 85

[Text] Beijing, December 26 (XINHUA) -- Vice-Premier Li Peng today called on workers and staff in the urban traffic enterprises to improve their service so as to contribute to the easing of crowded traffic.

During a national award meeting for model workers in the traffic enterprises, the premier said the hard work of drivers, conductors and other employees should be respected by the whole of society. He said that the present urban traffic was still several steps behind the needs of the national economic development and the people's daily life. To solve the problem, he continued, excellent service through hard work by the workers and staff in the traffic enterprises is urgently needed, in addition to comprehensive measures taken by the state.

According to the Ministry of Urban and Rural Construction and Environmental Protection, motor buses and trolleybuses increased from 25,000 seven years ago to the present 44,000, workers and staff in the field increased from 270,000 to 500,000. Every day, buses and trolleybuses carry 70 million passengers.

Experts say that about 10,000 more buses are needed every year to handle such a vast number of passengers. However, only 3,000 buses are added each year because of financial difficulties.

Beginning in 1983, the departments responsible for urban traffic initiated an excellent service competition among the workers and staff in a bid to help solve the traffic difficulties. Seventy model workers, 10 advanced working groups and 30 advanced enterprises are chosen from the competition who attended today's meeting.

ZHANG JINGFU ON EXAMINATIONS FOR MANAGERS

OW260336 Beijing XINHUA Domestic Service in Chinese 1432 GMT 25 Dec 85

[By reporter Pan Shantang]

[Text] Beijing, 25 Dec (XINHUA) -- Zhang Jingfu, state councillor and chairman of the Guidance Committee for State Examinations for Economic Managerial Personnel, said during his inspection of the Beijing site of the fourth unified state examination for managers and factory (mine) directors: The unified state examination for managers and directors of large and medium-sized enterprises is of strategic significance. Leading cadres of large and medium-sized enterprises, especially extra-large ones, should enhance their understanding and take the lead in participating in the examination in order to promote the study of modern, scientific management knowledge and raise the level of scientific management.

Zhang Jingfu said: In order to be a good enterprise manager or factory (mine) director, one must improve both one's job skills and management knowledge and regard the two things as equally important. Currently, the management level of China's enterprises is even lower than their technological level. If the management level is raised, many enterprises will be able to greatly improve their economic efficiency, using existing equipment and technology. In order to raise the management level of an enterprise, its leaders must improve their knowledge of scientific management. The unified examination for enterprise managers and factory (mine) directors is designed to urge and compel our enterprise leaders to seriously study science and technology, learn modern scientific management of the enterprises, and meet the new challenge.

The unified state examinations for managers and directors of large and medium-sized enterprises began in August 1984. Since then, 55,000 people have participated in the first 3 examinations. Today, 25,000 managers and factory (mine) directors took part in the fourth unified examination. However, the leading personnel of 238 large and medium-sized enterprises in China, particularly some extra large ones, are still unwilling to take the unified state examination using various excuses. Their personnel who have taken the examination are mostly deputies. Commenting on such a situation, Zhang Jingfu said: The leaders of these enterprises should enhance their understanding of the unified examination and seriously prepare. They must take part in either of the last two unified state examinations scheduled for next year. Anyone who refuses to take the examination will be criticized in circulated notices.

Others who inspected the Beijing site of the examination today included Yuan Baohua and Zhang Yanning, vice ministers of the State Economic Commission and vice chairmen of the Guidance Committee for State Examinations for Economic Managerial Personnel; Liu Guoguang, vice president of the Chinese Academy of Social Sciences and vice chairman of the Guidance Committee for State Examinations for Economic Managerial Personnel; and Zhang Jianmin, vice mayor of Beijing Municipality.

WANG SHOUDAO STRESSES CONSUMERS' INTERESTS

OW262226 Beijing XINHUA Domestic Service in Chinese 0736 GMT 26 Dec 85

[Excerpts] Beijing, 26 Dec (XINHUA) -- Wang Shoudao, member of the Standing Committee of the CPC Central Advisory Commission, said today at the second meeting of the Board of Directors of the China Consumers Association that it is a task of great importance to protect consumers' interests and give the masses guidance with regard to consumption. Every party member and cadre should understand that since the 1 billion people in our country are all consumers, protecting consumers' interests is protecting the people's interests; this is one of our important tasks in building socialism, he added.

Wang Shoudao pointed out: During the past few years, our party has achieved remarkable results in carrying out the policy of enlivening the domestic economy and opening to the outside world and in persisting in making reforms. In the meantime, however, some industrial and commercial enterprises have departed from the socialist direction and have been bent solely on making profits. They have paid no attention to their product quality but raised at will the prices of their products and even engaged in speculation and other illegal activities with a very harmful effect on the interests of the state and consumers. With regard to this state of affairs, party committees and governments at all levels as well as various competent authorities and law-enforcing departments should conduct serious investigations and supervision. In addition, it is necessary to give full play to the role of consumers' associations at various levels so that through this kind of social supervision, enterprises will be prompted to improve their operations and management and to render good service to consumers, thus further improving the relations between the party and masses.

Wang Shoudao stressed: Our country is building a socialism with Chinese characteristics and developing a planned socialist commodity economy. To ensure the healthy development of the national economy, we must maintain an appropriate ratio between accumulation and consumption. This makes it necessary to step up overall guidance for consumption.

Referring to the consumers associations' role as a bridge between producers on the one hand and consumers and sales agents on the other, Wang Shoudao said that every method should be used to let producers and sales agents know consumers opinions and demands. Producers and sales agents should make a serious effort to collect, understand, and study consumers' opinions and the changes in their demands, constantly raise the quality of their products, and turn out fine but inexpensive consumer goods to satisfy the people's growing needs.

XI ZHONGXUN COMMEMORATES DEMOCRATIC FIGHTER

OW262053 Beijing XINHUA Domestic Service in Chinese 1253 GMT 26 Dec 85

[By reporter He Ping]

[Excerpts] Beijing, 26 Dec (XINHUA) -- The Central Committee of the Kuomintang Revolutionary Committee held a forum this afternoon in the Great Hall of the People to commemorate the centenary of the birth of its deceased Vice Chairman Mr Xiong Kewu. Xi Zhongxun, member of the CPC Central Committee Political Bureau, praised this Kuomintang founding member as a loyal and faithful friend of the great revolutionary pioneer Dr Sun Yat-sen, a celebrated democratic revolutionary fighter, an outstanding leader of the Central Committee of the Kuomintang Revolutionary Committee, and a long-term cooperative friend of the CPC.

Song Rengqiong, vice chairman of the CPC Central Advisory Commission, called up the forum, expressing high respects to Mr Xiong Kewu and extending cordial regards to his relatives.

The forum was attended by over 200 people, including Yang Shangkun, member of the CPC Central Committee Political Bureau; Peng Chong, vice chairman of the NPC Standing Committee; Yang Jingren, Hu Ziangular, and Qian Changzhao, vice chairmen of the CPPCC National Committee; Li Gui and Li Ding, deputy heads of the United Front Work Department of the CPC Central Committee; and Ping Jiesan, adviser to this department; Zheng Dongguo, Hou Jingru, Sun Yueqi, and Peng Qingyuan, vice chairmen of the Central Committee of the Kuomintang Revolutionary Committee; as well as responsible persons of other democratic parties and Mr Xiong Kewu's relatives and friends.

In a speech delivered at the forum, Xi Zhongxun spoke highly of Mr Xiong Kewu's contributions to the democratic revolution and the socialist cause. He said: In commemorating Mr Xiong Kewu, we should not forget the brilliant deeds that innumerable patriots with lofty ideals have performed during the past half century and more by advancing wave upon wave, struggling hard, and making sacrifices. We should treasure the hard-earned excellent situation today marked by stability and unity and by prosperity. We should persist in making reforms, continue to blaze new trails, work together for a splendid future, and contribute our part to the building of socialism with Chinese characteristics, the reunification of the motherland, and the rejuvenation of China.

Speeches were also made by Hu Ziang, Qian Changzhao, and Mr. Xiong Kewu's friends and relatives, including Deng Jixing, Li Ximí, Liu Yuanyan, and Xiong Boqi. They cherished the memory of Mr Xiong Kewu's patriotic example of lifelong devotion to the reunification of the motherland and the revitalization of our nation.

Prior to the commemorative forum, Xi Zhongxun, Yang Shangkun, and other leading comrades received Mr Xiong Kewu's relatives and posed with them for a group picture.

BOOK ON ZHOU ENLAI PUBLISHED FOR ANNIVERSARY

OW121152 Beijing XINHUA in English 1143 GMT 12 Dec 85

[Text] Beijing, December 12 (XINHUA) -- A collection of 89 interviews and reminiscences, among which 26 have never been published before, was put out this month by the People's Publishing House to mark the 10th anniversary of Zhou Enlai's death, which falls January 8, 1986.

"Cherishing the Memory of Zhou Enlai", the collection reflects the late premier's revolutionary activities between 1913 and 1976.

The chapter, "My Memory of Schoolmate Zhou Enlai" by Zhang Honggao recalls the revolutionary's school life in 1913, when he was studying at the Nankai middle school, Tianjin.

"His Last Days -- recollections of Zhou's terminal illness" by Wen Qian recalls the late leader of the Chinese Government just before his death in 1976.

Like the above two articles, "Some Contacts Between Zhou Enlai and Me Before and After Our Study in France" by Zhang Shenfu has been published for the first time. It recalls Zhou's revolutionary activities before and after he joined the Communist Party of China in 1922.

Meanwhile, a new edition of "In Memory of Comrade Zhou Enlai", an album published in 1978, has been put out by the Museum of the Chinese Revolution and the Cultural Relics Publishing House. Many pictures which have never been published before have been added to the new version.

I. 27 Dec 85

P R C R E G I O N A L A F F A I R S
EAST REGION

01

JIANGSU ARRANGES PARTY CONDUCT INSPECTION

OW211021 Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 20 Dec 85

[Excerpts] XINHUA RIBAO report: On the afternoon of 17 December Comrade Shen Daren spoke at a meeting of deputy secretaries of city party committees and responsible comrades of city party rectification offices held in Nantong. In accordance with a decision of the Jiangsu provincial party committee, he instructed all city and county party and government organizations to implement resolutely the guidelines of the circular issued by the General Offices of the CPC Central Committee and the State Council and to conduct a general inspection of party conduct. He also made arrangements for the general inspection. Comrade Xing Bai presided over the meeting.

In order to correct the problems of party and government organizations, Comrade Shen Daren told the meeting about six principles set by the provincial party committee:

- 1) Official vehicles for party and government organizations at all levels shall be allocated and used in accordance with relevant provisions issued by central authorities. Vehicles in excess of the authorized number must be turned in to higher authorities.
- 2) Requests for overseas visits must be strictly examined before they are approved.
- 3) No one is permitted to squander public funds on sightseeing trips.
- 4) It is strictly prohibited to spend public funds on giving dinner parties and gifts.
- 5) Party and government cadres who hold concurrent jobs in enterprises must leave their concurrent jobs before the end of the year, with the exception of those whose concurrent jobs are approved by the State Council.
- 6) Party and government cadres and their sons, daughters, and spouses are not permitted to run business operations. Those who are engaged in business operations must terminate or leave the business within a definite time.

After discussing the arrangements for the general inspection, Comrade Shen Daren said: The general inspection of party conduct will be a rigorous test for all cadres who are party members, particularly leading cadres. It must be conducted seriously and well. Leading cadres will be held accountable for failure to conduct the inspection.

JIANGSU GOVERNOR SPEAKS ON GRAIN PROCUREMENT

OW230434 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 22 Dec 85

[Text] A 5-day meeting of directors of city grain bureaus in our province concluded today in Nanjing. Governor Gu Xiulian attended the meeting and delivered a speech. Comrade Gu Xiulian said: Grain is a commodity in the state plan. The purchase quota set by the state should be passed down to peasants through governments at various levels, and contracts signed with peasants to ensure the fulfillment of the quota.

She said: Although this year's grain output was somewhat reduced, it is still the second year in a row marked by a bumper harvest. Since ours is a province with surplus grain, governments at all level have paid great attention to this work, but it has not progressed as satisfactorily as desired. As of 20 December, the amount of autumn grain purchased in the province was 6.3 billion jin, fulfilling only 69 percent of the quota. In view of this, governments at all levels are requested to do ideological-education work to mobilize the masses in good time, while cadres and party members should take the lead to have the purchase contracts fulfilled so as to set an example for the masses.

At the same time, every effort should be made to purchase more grain and open new sources of grain supply so as to stabilize the price and increase the supply of grain on the market and to spur the development of certain industries.

To ensure the fulfillment of the purchase quota, Comrade Gu Xiulian called on grain departments to take further action to improve their service and raise the quality of their work with a view to facilitating the sale of grain by peasants. They should go to those households which are big grain sellers to examine the grain quality. Where conditions permit, they should also go to those households to purchase the grain rather than having the latter bring the grain to them. Because of the late start of the harvest season this year, the time limit for autumn grain purchases may be appropriately extended. Governments at all levels should make proper arrangements for industrial and commercial administrative departments, transport departments, and grain departments to strengthen market management. In every county, before the fulfillment of the purchase quota, no other units should purchase grain and cooking oil from the peasants. Comrade Gu Xiulian also set demands with regard to the signing of grain purchase contracts for next year, the development of food-processing industries based on grain and oil as well as the feed industry, and the strengthening of ideological and political work for the purpose of improving the quality of grain-handling workers and assuring the success of grain work.

Comrade Jin Xun also addressed the meeting.

SHANDONG RURAL PARTY RECTIFICATION MEETING CONCLUDES

SK230435 Jinan Shandong Provincial Service in Mandarin 2300 GMT 20 Dec 85

[Text] The 5-day provincial rural party rectification work conference ended in Jinan on the morning of 20 December.

The conference pointed out that the rural party rectification, involving the largest number of units, is regarded as a key phase of party rectification. Conscientiously achieving rural party rectification is of great significance for promoting the rural material and spiritual civilizations, further realizing a turn for the better in party style and social practice, promoting and ensuring thorough development of the rural reform, and further enlivening the rural economy.

The conference stressed: First, we should, in accordance with the guidelines of the circular concerning arrangements for party rectification work in rural areas issued by the Central Party Rectification Guidance Commission of the CPC Central Committee, seek unity of thinking among the cadres at all levels and the broad masses of the party members in order to have them understand fully the significance of rural party rectification; define the principles, tasks, and policies for rural party rectification; and consciously and enthusiastically engage in party rectification work.

Second, we should regard party rectification at the township and town level as a key point of rural party rectification work and conscientiously achieve party rectification work at this level. In accordance with the reality of townships and towns, we should thoroughly conduct education on the basic purpose of the party; pay attention to eliminating the unhealthy practices of taking advantage of one's functions and rights to seek private gains, using public funds, seizing public goods, encroaching upon the interests of the masses, and accepting bribes; and attach importance to solving the problems involving cadres not being devoted to their work, showing no concern for the weal and woes of the masses, paying no attention to handling matters for the people, and being irresponsible with regard to their work.

We should further have a unified understanding of the party's policies on rural reform and economic development; eliminate problems concerning our failure to resolutely, enthusiastically, and strictly implement the party's policies; carry out education on thoroughly negating the Great Cultural Revolution to eradicate factionalism, to strengthen party spirit, and to enhance unity; conscientiously investigate and deal with the small number of party members who have committed mistakes; and consciously achieve the building of leading bodies. In accordance with the requirements of the central authorities, we should conscientiously solve the problems in ideology, work style, and organizational construction.

Third, we should strictly implement the party's policies and eliminate various kinds of obstructions. In this rural party rectification, we must solve problems without creating chaos, persist in the principle of promoting and ensuring the progress of reform and economic development, and resolutely implement the party's policies towards rural areas. At present, we should pay special attention to and treat correctly the problems concerning enlivening the rural economy that remain to be settled. Such problems must be treated as ideological ones that are not related to taking advantage of one's functions to seek private gains or that have not brought about serious consequences. People with ideological problems should be inspired to upgrade their understanding, to conscientiously sum up experiences and lessons, and to enthusiastically overcome their problems. We should carry out the policy of stressing education and the work ahead, adopt a forward-looking attitude, take the whole situation into consideration, stress unity, avoid quibbling over old historical problems, prevent the influence of factionalism, and stop the practice of pleading for mercy for someone.

Fourth, we should pay attention to actual effects and solve problems in a solid manner. We should focus on solving problems relating to the whole situation and concerning which the people have made strong complaints. We should carry forward the spirit of bravely proceeding from actual conditions, telling truth from falsehood, facing difficulties, and solving problems. Problems exposed in the course of party rectification should be solved conscientiously in succession. In the course of solving problems, we should concentrate on the education on party spirit in order to have the party members consciously solve their problems. We should ensure that education on party spirit permeates the whole course of party rectification, take lively steps for thoroughly solving problems in succession, and simultaneously set up and perfect systems to consolidate and develop our achievements in party rectification.

Fifth, we should conscientiously strengthen leadership over rural party rectification work. Secretaries of the county CPC committees should take the entire responsibility for and personally engage in rural party rectification work and set strict demands in the work. Secretaries of the county CPC committees should directly help the key units carry out party rectification work, and make up their minds to readjust the leading bodies of the key units that still fail to solve their problems even though they receive assistance, with a view to thoroughly solving the existing problems. After finishing their own party rectification work, the township and town CPC committees should spare no efforts to engage in the preparatory work for leading rural party rectification work. We should further expand the work of carrying out rural party rectification work on a pilot basis, persistently promote work in all rural areas by drawing upon experience gained at selected units, and give instructions according to different cases in order to consciously carry out rural party rectification work.

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PRC REGIONAL AFFAIRS
CENTRAL-SOUTH REGION

P 1

GUANGDONG PUBLICIZES GOOD EXAMPLE OF PARTY STYLE

HK251308 Guangzhou NANFANG RIBAO in Chinese 22 Dec 85 p 1

[Report: "Provincial Discipline Inspection Commission Issues Circular on Popularizing the Experience of Guizhou District in Promoting Economic Development Through Establishing Good Party Style"]

[Text] The Guangdong Provincial CPC Discipline Inspection Commission recently issued a document entitled "There Must Be Good Party Style in Order To Develop the Rural Economy," which included a report about the experience of the Guizhou District CPC Committee in Shunde County and a circular which called for party committees and party discipline inspection commissions in all localities of the province to seriously study and spread the experience of the Guizhou District CPC Committee which has achieved good results in simultaneously developing the two civilizations. (This newspaper reported in detail on the experience of Guizhou District on 18 December.)

The circular said: Guizhou District has achieved marked results in developing its economy, and the fundamental reason for its success lies in the fact that the district party committee is able to strengthen effectively its leadership over the economic work and to carry out faithfully the party's principles and policies. Thus, local advantages have been brought into full play, and a road of developing industry, agriculture, and commerce in an all-round way to build social wealth has been opened. Guizhou District's experience can be summarized into one point; that is, the party leading body should simultaneously handle economic work and improve party style and should simultaneously develop the two civilizations. The improvement of party style will ensure development of economic construction.

The circular pointed out: The experience of the Guizhou District party committee shows that there is a dialectical relationship between economic work and party style and the two things will promote each other. In our socialist cause, if we do not simultaneously build both material and spiritual civilization and ensure good party style, our economic work may deviate from the correct path and will not be successful. The idea and practice that separate the work of rectifying party style from economic work or set one thing against another are completely erroneous.

The circular demanded that all party organizations and leading bodies in the province seriously sum up their own experiences in this regard, more conscientiously carry out the party's line, principles, and policies, more clearly realize the dialectical relationship between party style and economic work, take effective measures to improve party style, fully develop the two civilizations simultaneously, and promote both the rectification of party style and economic work.

GUANGDONG'S ZHUJIANG DELTA 'OPEN ECONOMIC AREA'

HK240833 Beijing ZHONGGUO XINWEN SHE in Chinese 0736 GMT 23 Dec 85

[Text] Guangzhou, 23 Dec (ZHONGGUO XINWEN SHE) -- The Zhujiang Delta has now become a multi-tier open economic area, comprising the special economic zones, open cities and districts. So far the area has utilized over U.S. \$2.4 billion in foreign investment funds, and concluded over 50,000 contracts with foreign investors, more than any other province, city and autonomous region.

With Guangzhou City as the center, the open economic area in the Zhujiang Delta takes the three special economic zones of Shenzhen, Zhuhai and Shantou as its window as well as the Zhujiang Delta as its hinterland. In this way, it plays the role of a bridge between the interior and Hong Kong and Macao and between the interior and foreign countries. The economic structure of the area is now being turned into an export-oriented economy, which gives priority to developing industrial production, absorbing foreign investment funds and promoting exports.

In foreign economic cooperation, Guangzhou, a key city in the Zhujiang Delta, in the past placed emphasis mainly on processing raw and semi-finished materials, processing foreign customers' samples, assembling spare parts, and compensation trade. However, this year it has given priority to equity joint ventures and nonequity joint ventures. The number of such joint ventures has increased from 2 to 43. The use of foreign investment funds has been switched to industry, agriculture and transport, instead of building hotels and guesthouses. New contracts concluded with foreign companies this year for industrial production increased by more 500 percent over last year. Besides Hong Kong and Macao, countries which concluded contracts included the United States, Great Britain, France, Japan, Singapore, Thailand, Canada, the FRG and Belgium.

Apart from the special economic zones and open cities, some other cities in the Zhujiang Delta have also made great advances in economic cooperation with foreign countries. By absorbing foreign investment funds and modern technology, Foshan City has developed five major industries in textiles, plastics, electronics, ceramics and leather clothing, thus bringing about radical changes in the city's industrial and technological structures. Now, a group of export-oriented cities such as Shenzhen, Zhuhai, Foshan and Zhongshan has been formed in the Zhujiang Delta. The total volume of export commodities of these cities this year amounted to U.S. \$2 billion.

SIX DEEP-WATER BERTHS IN GUANGDONG OPERATIONAL

OW261633 Beijing XINHUA in English 1626 GMT 26 Dec 85

[Text] Guangzhou, December 26 (XINHUA) -- Six berths capable of accommodating ships up to 35,000 tons went into operation in Zhanjiang, Guangdong Province on Wednesday. The berths -- one for bulk grain and the others for sundry goods -- can handle 1,850,000 tons of cargo a year, a Zhanjiang Port official said. Warehousing, a dockyard, a granary, roads and a rail link have also been built.

Zhanjiang is one of the 14 coastal cities that were opened to foreign trade and investment last year.

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PRC REGIONAL AFFAIRS
NORTH REGION

R 1

SHANXI RIBAO ARTICLE ON ECONOMIC SITUATION

HK230601 Taiyuan SHANXI RIBAO in Chinese 6 Dec 85 p 1

[Article by editorial department: "Accurately Appraise the Economic Situation"]

[Text] At present, all provinces and areas are conscientiously studying and implementing the spirit of the National Conference of Party Delegates. Broadening education abouts our economic situation in a truth-seeking manner is an important part of the task of studying and implementing the spirit of the National Conference of Party Delegates and important part of our current ideological and political work.

At present, there are two different views on our economic situation. One view asserts: The current economic situation in our country is satisfactory. It is not only satisfactory this year, but has been satisfactory for several consecutive years. It is satisfactory not only in one aspect but in all aspects of the economy. The other view states: The economic situation is poor and there are problems such as inflation and insufficient increase in wages. Which of these views is correct? The former one is. Just as Comrade Deng Xiaoping pointed out in his speech at the National Conference of Party Delegates: "The nearly 7 years since the 3d Plenary Session of the 11th CPC Central Committee has been the best and most vital period since the founding of the PRC." These words correctly sum up the situation in our country.

Just as in handling various other kinds of problems, the methods of viewing the situation is problematic. If the method is correct, the conclusion is correct. If the method is incorrect, the conclusion is also incorrect. Viewing the situation correctly involves looking at the problem in an all-round manner rather than in a one-sided manner. Looking at the problem in an all-round manner means that we should look at all aspects and the main trends of the problem as a whole, thinking the problem over in full and see the essence and major trends of the problem. This is the Marxist method. If we allow some phenomena or nonessential problems to blur our vision, "we will fail to see Tai Shan because our eyes will be covered by a leaf and we will fail to hear thunder because our ears will be stopped up by beans."

What are the main trends and essence of our country's current economic situation? Since the 3d Plenary Session of the 11th CPC Central Committee, each year has brought new development in our country's socialist modernization. We have begun to find a way to build socialism with Chinese characteristics. This is of decisive significance in the development of our country's socialist modernization. This is the main trend of the current economic situation. Specifically it is demonstrated by the following four factors: 1) A new situation has emerged in which the national economy has achieved sustained, stable and harmonized development. Over the past 5 years, the gross industrial and agricultural output of our country rose an average of 10 percent each year, and currently the proportions of agriculture and light and heavy industries in our country's gross industrial and agricultural output are roughly equal: 2) Our country's socialist economic construction has already embarked on a new route characterized by a sound growth rate, relatively satisfactory economic results and more actual benefit for our people. 3) Precisely because of the above two factors, the prospect of a benign cycle in our national economy has begun to loom before us. 4) Our people's living standards have improved markedly.

Like all other areas in our country, the situation in our province is also very satisfactory with smooth politics, harmony among the people, and prosperity in our economy and undertakings. The situation has continued to improve year by year. Our province has already fulfilled the major targets of the Sixth 5-Year Plan, 1 year ahead of schedule.

This year is the last year of the Sixth 5-Year Plan. It is expected that the gross social output of the whole province will be 37.18 billion yuan, which is 80.9 percent greater than that in 1980 and shows an average annual growth rate of 12.6 percent. The gross industrial and agricultural output will reach about 28.2 billion yuan, an increase of 65 percent or an average annual increase of about 10 percent since 1980. The gross national income is estimated to reach 16.18 billion yuan, double that in 1980 and an average rise of about 15 percent each year. There has been active trade in our province's urban and rural market and financial revenue has risen year by year. As the economy developed, there were very great changes in the economic life of the people throughout our province: First, there was a relatively sharp increase in the real income of people all over our province. Last year, the average wages of staff and workers in the province rose by 61.5 percent over 1978 while the income of peasant households rose by 222.15 percent over 1978.

The general retail price index for the whole province rose by 13.4 percent from 1978 to 1984. After deducting increases in the price of goods, the income of staff, workers, and peasants still rose significantly. Total savings rose by 460 percent from 1978 to 1984. Second, the people's consumption has continued to rise. According to a survey of families in 11 cities and counties in the province, the average number of consumer durables in each household rose significantly in 1984 over 1983. Numbers of color television sets rose by 913 percent; tape recorders by 48.1 percent; cameras by 41.5 percent; and washing machines by 36.2 percent. The numbers of electric fans, motorcycles and refrigerators also rose significantly. Third, there have been significant developments in urban construction and public utilities. In the first 4 years of the Sixth 5-Year Plan period, our province completed over 439 million yuan of investment in capital construction, renewal, and the transformation of public utility facilities. This amount equaled the total sum of investment in capital construction, renewal, and the transformation of public utility facilities in the 30 years from 1949-1979. A total of over 10 million square meters of residential housing for staff and workers was built in those 4 years, 60,000 square meters more than the total housing area built for staff and workers in the 14 years from 1966-1980. All this proves convincingly that since the 3d Plenary Session of the 11th CPC Central Committee, the political and economic situation in our province has been good and the line, principles and policies implemented by our province have been correct and successful.

This does not mean that everything is good and that we have no problems at all. We do have a variety of problems. In particular, beginning in the fourth quarter of last year, we failed to strictly control consumption funds and injected too much money into the economy. Some localities, departments and enterprises competed with one another and blindly pursued an impractically high growth rate. This caused total demand of the whole society to overexpand and exceed the maximum possible social supply. However, compared with the above-mentioned principle and essential factors, these problems were secondary and nonessential; were problems that cropped up in the process of progress; and were minor issues. They are not difficult to solve as long as we handle them conscientiously. The CPC Central Committee promptly noticed these problems and adopted effective measures. It has already solved some of the problems and is stepping up its efforts to solve the others. This year, our province's economy has been relatively stable and credit volume, capital construction, and the volume of currency issued have been brought under relatively satisfactory control. Now, a portion of the masses have some complaints about the current economic situation. It is a normal phenomenon that in the process of reform, people differ to some extent in their views on the economic situation. It demonstrates a livening up in people's thoughts. We should guide people in correctly observing and analyzing the situation and in distinguishing between essentials and nonessentials. We should use Marxist viewpoints to unify people's understanding.

The problem related to the price of goods is relatively sensitive and is also a problem of concern to the community in general. At present, quite a few people are talking extensively about the price of goods. What after all has been the situation of commodity prices in our province since the beginning of this year? We all know that for a long time our country's price system has been very unreasonable and detrimental to stimulating our economy. Price reform is vital. Price reform has been carried out during a period of economic growth. It is reform that we are consciously carrying out in order to promote the further development of our economy. In carrying out price reform, we first readjust irrational price relations. This is essentially different from inflation in capitalism. This year, our province has taken the first step in carrying out prices reform. It has conducted reform in its price and price management systems mainly in the following seven areas: 1) It has decontrolled the prices of meat, eggs, vegetables and other nonstaple food. 2) It has readjusted cotton and wheat purchase prices. 3) It has increased the charge on short-distance railway passenger and cargo transport within 200 km. 4) It has allowed a greater disparity in prices for the differences in quality of some commodities. 5) It fixed local and temporary prices respectively for 41 kinds of products, the costs of which have increased due to increases in the price of raw and processed materials. 6) It has further expanded the pricing power of localities and enterprises. 7) It has allowed prices of manufactured goods in daily use, the production of which is not covered by our plans, and high-grade consumer goods to vary flexibly.

These seven aspects of price readjustment are aimed at making our commodity production meet the requirement of the law of value and straightening out various economic relations. They conform to the long-term fundamental interests of the masses. Practice in the past few months has proved that initial achievements have been scored by adopting the above-mentioned measures. First, the prices of some commodities have become more rational. Second, production has been promoted. For example, it is estimated that by the end of this year, the number of livestock in the whole province will rise by more than 10,000 over last year. The total vegetable output this year will be 1 billion jin more than last year. The per capita vegetable consumption in our province has reached the level of the national average. Third, our peasants' income has been increased and financial subsidies have been reduced. The peasants' per capita income rose by 5.78 yuan and financial subsidies this year will be over 14 million yuan less than those last year. Fourth, we have expanded the pricing decision-making power of our enterprises and thus invigorated them. Fifth, we have stimulated our market and provided more conveniences for the masses. Of course, as we have only carried out our price reform for a relatively short time, we still lack experience. In addition, as our state-owned sector is relatively weak in adapting itself to this reform, and has failed to take an active part in the regulation of market mechanism, there are still some problems related to the prices of goods in our market. The prices of some nonstaple foods are too high and the stock level of some commodities is too low to meet a sudden increase in demand. Besides, there has been malpractice by a small number of business units conducting unauthorized price hikes. We have failed to adopt vigorous enough measures to control and supervise the prices of goods in our market. All these problems require us to conscientiously improve our work.

To what extent has the decontrol of commodity prices affected the livelihood of the masses of people? The total increase in prices after commodity prices were decontrolled amounted to 880 million yuan. In other words, increases in prices for the whole year will total 880 million yuan. After deducting the portion of the amount absorbed by enterprises' consumption, this will cause per capita living expenses to rise by approximately 49 yuan.

Assuming, on average, that each staff member or worker supports one person, besides himself, then his expenses increase by 100 yuan. The actual increase is 52 yuan after deducting the nonstaple food subsidies. However, after the wage readjustment for staff and workers in our state organs, institutions and enterprises, the average monthly wage may rise by 12-18 yuan. After deduction of the increases in prices, there is still a relatively large increase in the income of all our cadres, staff, and workers. What does this prove? This proves that despite the increase in prices of goods, the range of wage increases is still higher than the range of increases in the prices of goods. This is the provincial average. For each family and each person the effect may be different. Of course, we do not wish for any further increase in the prices of goods. For this the provincial CPC Committee and government have already adopted, and are adopting, vigorous measures to curb any further increase in prices, and in particular, the prices of nonstaple foods closely related to the livelihood of the masses of people. Next year, there will not be any major readjustment of prices of goods.

In short, our economic situation is on the whole, satisfactory. We must confirm this. Only by so doing can we strengthen our confidence in making further progress. Under this precondition, we should look squarely at problems that have emerged, and adopt measures to do our work well. We believe that through our hard struggle, we will certainly be able to do our economic work better.

I. 27 Dec 85

PRC REGIONAL AFFAIRS
NORTHWEST REGION

T 1

SHAANXI ARMED FORCES TO BE UNDER LOCAL JURISDICTION

HK231447 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 19 Dec 85

[Text] At a political work conference convened yesterday by the provincial military district, a responsible comrade announced that 106 People's Armed Forces departments of the province's counties, cities, and districts will be handed over to the jurisdiction of local authorities. This task should be accomplished by summer next year.

The CPC Central Committee and the Central Military Commission decided to hand over the People's Armed Forces departments of counties, cities, and districts to the jurisdiction of local authorities. The provincial CPC Committee, the provincial government, and the provincial military district have therefore attached great importance to the matter. They carefully studied the work of handing over the departments to the jurisdiction of local authorities.

The provincial military district, as well as various military subdistricts, have sent over 50 work teams, led by principal leading comrades, to various People's Armed Forces departments to carry out ideological and political work. They also helped the departments solve practical problems. Party and government leaders at prefectoral and county levels also went to the People's Armed Forces departments to find out the situation. They enthusiastically persuaded the cadres of the departments to change their jobs within the localities, and wholeheartedly solved some practical problems in handing over the departments to the jurisdiction of local authorities.

After some 6 months of painstaking work, the province has made remarkable achievements in making preparations for the task.

Li Xipu, deputy secretary of the provincial CPC Committee; and Sun Kehua, vice governor, attended the conference.

Comrade Li Xipu said in his speech: The decision on handing over the People's Armed Forces departments to the jurisdiction of local authorities is a correct one, and it is favorable to the great cause of the four modernizations. Party committees and governments at various levels must do well in the task. They must strengthen ideological and political work, and educate cadres of the departments on giving priority to the interests of the party and the people, on subordinating themselves to the overall situation, and on observing discipline and conscientiously following the organizations' decisions, so as to ensure smooth progress in the task as a whole. In connection with their conditions and what is possible, the local authorities must help the Army solve the practical problems encountered in the course of handing over the departments to the jurisdiction of local authorities.

TAIPEI COMMENTS ON REAGAN VETO OF TRADE BILL

OW221341 Taipei International Service in English 0200 GMT 22 Dec 85

["News" commentary]

[Text] President Reagan has vetoed the bill to protect the textile, shoe, and copper industries from foreign imports, saying that a fair and open world market is in the best interests of the United States and the world.

In acting on what he has promised to do regarding rising protectionism, President Ronald Reagan has given Asian exporters a breathing spell to adjust their export policies and market practices. As President Reagan pointed out, the economic and human costs of such a bill run far too high. Enacting the bill will certainly lead to foreign retaliation against U.S. exports, a loss of American jobs, losses to American businessmen, and a damage to the world trading system upon which American prosperity depends.

But Reagan's battle against protectionism in the U.S. cannot be won without the help of her trading partners, including the Republic of China. American trade deficit has been rising steadily for over a decade for a large variety of reasons. The result is the loss of American jobs. That is the background from which protectionist sentiment has sprung in the United States. Some 300 protectionist bills are pending. Their sponsors are certain to fight for their passage despite their initial setback.

It is obvious that President Reagan cannot veto all the protectionist bills unless the protectionists are denied excuse for waging their battles. In other words, American trading partners have to remove barriers to U.S. goods and services so that they can compete fairly in the world market. That is why Reagan called for a fair and open world market. The Republic of China has already responded to his call by reducing import tariffs and removing nontariff walls to allow more U.S. goods and services to enter the Taiwan market. And Reagan has openly acknowledged Taipei's sincerity in helping reduce U.S. trade deficits. But President Reagan will need the cooperation of other allies as well in rolling back the protectionist tide in the United States. Only when the protectionists lose their cause, can he succeed.

Everybody has a stake in Reagan's antiprotectionist fight. American's trading partners as well as the Americans themselves will be a big loser if protectionism wins out. History indicates that an ailing industry cannot be saved by protection. On the contrary, protection can only make the matter worse. A case in point is the auto industry on Taiwan, which has enjoyed protection for nearly 30 years. Today it remains one of the weakest industries in free China. Similarly, the textile industry in the U.S. has enjoyed protection of one kind or another for over 2 decades. Now it is still demanding protection. If President Reagan had not acted to veto the textile-shoe bill, American consumers and farmers would be among the first to suffer. Foreign retaliation, which would certainly follow, would lead to the triumph of protectionism worldwide. The whole world will suffer economically in such an eventuality, but the damage will not be in economy alone. As Singapore's Prime Minister Lee Kuan-yew warned a couple of months ago, the end result could be (?worse). Hence, it is the responsibility of every nation in the world to see to it that protectionism be stopped before it is too late.

NEW INTELLIGENCE BUREAU CHIEF APPOINTED

OW201242 Taipei CHINA POST in English 17 Dec 85 p 12

[Text] The Republic of China has appointed General Soong Hsin-lien as chief of its intelligence and security organisation, the National Security Bureau, a presidential spokesman said today.

Soong, who at present commands 70,000 troops on Quemoy Island facing mainland China, is replacing General Wang Chin-hsi as head of the bureau, the spokesman told reporters. Wang was named chief of staff to President Chiang Ching-kuo on December 5.

PRESIDENT CHIANG COMMENTS ON SUCCESSORS

OW251643 Taipei CNA in English 1449 GMT 25 Dec 85

[Text] Taipei, Dec. 25 (CNA) -- President Chiang Ching-kuo Wednesday reiterated his determination to safeguard the Constitution of the Republic of China, bluntly excluding the possibility of military rule in this nation. He also stressed that he will not allow his family members to run for the next presidency.

President Chiang made the remark while presiding over the rally marking the inauguration of the Constitution, which falls on Dec. 25, at the Taipei City Hall. The rally also marked the beginning of the 20th plenary session of the constitutional research committee and the 1985 annual conference of the National Assembly. Addressing over 1,000 participants in the rally, the president said that the nation has been through many joyful moments and setbacks since the late President Chiang Kai-shek led the Chinese people to win over the eight year war of resistance against Japan.

During the past 40 years, he said, the ROC Government has never for one day changed the direction of its efforts or its goal of implementing the Constitution throughout China. Such a direction and goal will not change now or in the future, he stressed.

In addition to reiterating the government's determination to carry out the Constitution, President Chiang said he would like to clarify two questions concerning his successor and the possibility of military rule in this nation. "The succession problem will arise only in autocratic and totalitarian countries. Such a problem is not supposed to happen in the Republic of China which is established on the constitutional rule. The next ROC president will be elected according to the ROC Constitution and by members of the National Assembly, just as those in the past. Some people might ask if my family members will run for the next presidency. My answer is that 'they cannot and will not,'" Chiang said.

Referring to the possibility of military rule, Chiang said: "Some people might doubt if the government will impose military rule on this nation. My answer is that 'it cannot and will not.' The ruling Kuomintang, which has always advocated democracy, freedom and equality, will never try to change the Constitution or to adopt a different government style."

TAIPEI COMMENTARY EXAMINES RELATIONS WITH U.S.

OW261210 Taipei International Service in English 0200 GMT 26 Dec 85

[Station commentary]

[Text] It has been 6 years since the United States derecognized the Republic of China in favor of Peking. A senior official of the Reagan administration was quoted as saying last week that the unofficial relations between Taipei and Washington are progressing well.

Speaking to a group of foreign journalists the official took note of the Republic of China's efforts to open its market for U.S. goods and services in order to narrow their trade gap. He also reiterated the U.S. position that Washington will not try to mediate the disputes between the Republic of China and the Chinese Communist regime, saying that any difference between the two sides should be settled by themselves in a peaceful manner. The official said Washington will continue selling arms to the Republic of China for self-defense (?as) Peking plans to improve its military capability.

Generally speaking, one can agree with the official's assessment. Indeed, the bilateral ties between the Republic of China and the United States have grown considerably since the diplomatic rupture. This is especially true in the economic area. The Republic of China welcomes the U.S. attitude of non-interference regarding the China issue. The problem will be solved in time by the Chinese people themselves. It is obvious American policy-makers understand Teng Hsiao-ping's one-country two-systems formula is as phony as Mao Tse-tung's promise of autonomy for the Tibetans. The Republic of China is also gratified that Washington will keep selling defensive weapons to Taipei. It will be years before free China can become self-sufficient in this vital area.

However, it doesn't mean that 19 million Chinese in Taiwan are completely satisfied with the way things are going, particularly regarding arms sales. According to the Taiwan Relations Act, which is an American law, Washington should supply the Republic of China with weapons adequate for its defense. Unfortunately this piece of legislation has been compromised by the August 17 joint communique which Washington pledged not to sell sophisticated weapons to the Republic of China and to gradually decrease the amount of arms sales. Because of the self-imposed restraint, the United States has denied the Republic of China better jet fighters and other weapons free China needs for withholding [as heard] an invasion from the other side of the Taiwan Strait. ~~particularly~~ particularly (?worrisome) as Communist China keeps modernizing its Armed Forces.

Furthermore, the United States is contributing to the trend by going to sell weapons to Peking and relax control of technology transfer to the Chinese Communists. Some Americans argue Communist China is unlikely to attack the Republic of China in the foreseeable future. This assumption is dangerous. Communist China party chief Hu Yao-pang said several months ago that Peking will be in a position to launch an invasion in 5 to 7 years. Teng Hsiao-ping also threatened a naval blockade of Taiwan. Unless the Republic of China acquires equitable deterrence, Peking will certainly be carrying out its threat when it is ready.

INFORMATION ABOUT MAINLAND CHINA EASED

OW270455 Taipei CNA in English 1239 GMT 27 Dec 85

[Text] Taipei, Dec 26 (CNA) -- The Executive Yuan said Thursday that it has properly loosened control over the access to information about Red China.

The government has neither asked any foreign newspaper or magazine to prepare a special edition for its readers in Taiwan, nor requested a preview of any Chinese language publication or trade bulletin imported from abroad, it said.

However, the Yuan added, the Republic of China, as a sovereign country, has the right to stop circulation of certain information which are suspected of making propaganda for the Chinese Communist regime or violating its basic national policy.

In a written response to legislator Chang Chun-hsiung's interpellation, the Yuan said that the government so far has allowed 68 organizations including television services, the CHINA TIMES, the UNITED DAILY NEWS and the CENTRAL NEWS AGENCY to freely import newspapers or magazines published on the China mainland for research purposes. The results of their research are either made public or sent to the government agencies concerned as reference, it said.

On the other hand, the Yuan said, to prevent Chinese Communist infiltrations or sabotage activities, the government will also take legal actions to restrict imports of certain foreign publications which are suspected of making propaganda for the Peiping regime or exaggerating the achievements made by Red China.

FOREIGN MINISTER ON COMMUNIST PUBLICITY PLOYS

OW270501 Taipei CHINA POST in English 24 Dec 85 p 12

[Text] To counter the Chinese Communist "peace" offensive, the Republic of China will publicize political and economic successes of this country to promote international understanding and friendship, Foreign Minister Chu Fu-sung said yesterday.

This nation will also expand its activities in international organizations to upgrade its status in the world community and crush Chinese Communist united front ploys, he said while reporting on the international diplomacy to the 32nd annual meeting of the planning commission for the recovery of mainland China yesterday.

Through diplomatic efforts the nation has won friendships with many newly independent countries and those which have maintained no diplomatic relations with this nation, he said. Currently, this nation maintains substantive trade and economic relations with 140 countries, where the nation has 57 representative offices. Moreover, 21 of these countries also have set up trade offices, here he said.

The bilateral relations with the United States have been improving steadily since the two nations severed diplomatic relations seven years ago, Chu said.

The U.S. authorities have not changed their policy on arms sales to this nation in spite of the Chinese Communists' protests, he said. The ROC Government has also taken a series of measures to cut the trade imbalance between the two nations, he added.

Chu stressed the ROC Government will not accept any arrangement that will affect the nation's status, name or interests in the Asian Development Bank. The ADB Charter has provided that any application for new membership should not affect the status or rights of present members, he said. The ROC authorities will continue to negotiate with the ADB for a rational solution of the issue, he said.

2,000 DEMONSTRATE IN XIAN AFTER MURDER OF MUSLIM

HK270449 Hong Kong Commercial Radio in English 0430 GMT 27 Dec 85

[Text] A big man-hunt has been launched in China for six people allegedly involved in the killing of a man in the city of Xian. The incident triggered a demonstration, as Helene Chung reports:

[Begin recording] Two thousand Chinese Muslims took to the streets of the central Chinese city of Xian to demand police action after the funeral of a Muslim allegedly stabbed by nine non-Muslims, according to a police source in Xian. He said that a nationwide man-hunt had been mounted after the escape from Xian of six of the alleged murderers. The killing took place after a brawl that erupted over a game of mahjong.

The Xian demonstration brings to 10 the number of rare protests throughout China since September, when 1,000 students marched from the center of Beijing, attacking China's trade policy.

Reports of the Muslim protest in Xian reached Beijing the same day as students in Shanghai protested against nuclear testing. The police have so far acted with moderation, trying to redirect the unrest into a form of patriotism, and not wishing to provoke deeper dissent. There have been no confirmed arrests. [end recording]

SOVIET AIRLINER, HIJACKER SAID STILL IN PRC

HK270840 Hong Kong TA KUNG PAO in English 26 Dec 85 p 1

[By TA KUNG PAO Beijing correspondent]

[Text] All passengers, numbering more than 40, taking the hijacked Soviet airliner which was forced to land in the western part of Heilongjiang Province on 19 December, have safely returned to the Soviet Union. The ill-fated AN-24 was on a domestic flight when it was hijacked by a man 'brandishing a knife' but whose real motive is still unknown. All the passengers had been safely returned to the Soviet Union as of 23 December, sources said.

However, negotiations are still continuing to find the best way to dispose of the hijacker and the airliner. The sources added that China will be cooperative in dealing with this matter but, so far, neither the Chinese nor Soviet Government have given details of the incident.

CHINA, FRANCE SIGN MEMORANDUM ON NUCLEAR DEAL

HK240912 Hong Kong WEN WEI PO in Chinese 23 Dec 85 p 1

[Dispatch from correspondent Cheng Hsiang: "China, France Sign Memorandum 22 December; Nuclear Reactors To Cost Approximately \$700 Million"]

[Text] Beijing, 22 Dec -- The Guangdong Provincial Nuclear Power Joint Company and France's Framatome signed a memorandum in Beijing today on the purchase of two nuclear reactors worth more than \$700 million. This event "marks a substantive step taken by Guangdong Province in launching its nuclear power plant project." On the other hand, two memorandums, one on loans acquisition and the other on technical service related to this project, were also signed yesterday. The two parties concerned will sign an official contract in the first half of next year. If everything proceeds smoothly, the construction of the two nuclear reactors will be started in the middle of next year.

According to the memorandums signed so far, the terms for the purchase of nuclear reactors by Guangdong Province's nuclear power plant are mainly as follows:

1. Price: Both sides have made concessions to reach agreement on the price. As a result, this nuclear power plant transaction has been concluded with the price fixed at the level of over 5 billion francs.

2. Loans acquisition: The French side will provide the nuclear power plant with all the loans needed in the form of export credit. Of these loans, 85 percent will be used to pay the equipment costs, and the rest to pay "local charges" (that is, all charges arising from the work on the construction site). This is quite a rare practice, as France usually extends export credit up to 85 percent of the value of the contract concerned.

3. Interest rate: The interest rate is to be determined basically in light of the rate fixed by the OECD (currently remaining at 9.85 percent) and to float within the range fixed by the same organization (the current fluctuation range being 6.5 percent).

4. Tax payment: As far as profits earned within the Chinese territory are concerned, China is to give preferential treatment regarding tax payment to the French side according to specific circumstances.

The two signatory parties will meet in Shenzhen in January next year to sign a letter of intent based on the spirit of the memorandums. Then, between March and May, the two sides will sign the official contract. It is predicted that the construction of the nuclear reactors will begin in mid-1986 at the earliest.

Interviewed by our reporter after signing the memorandum, Pan Yansheng, general manager of the Guangdong Provincial Nuclear Power Joint Company, said: "After lengthy negotiations, we have reached an agreement on the price with Framatome and the French Electric Power Company. This is an excellent beginning in Sino-French cooperation in the field of nuclear power. It marks a substantive step taken by Guangdong Province in launching its nuclear power plant project. Although what we have signed today is merely a memorandum, we are going to sign the letter of intent and the official contract very soon, based on the spirit laid down in this memorandum. According to this schedule, the project is going to be started very soon. Therefore, this is an essential step which marks the official beginning of our cooperation."

Sir Jack Cater, assistant general manager of the Guangdong Provincial Nuclear Power Joint Company, said: "I am very pleased to see that the two sides have finally concluded the agreement. The difficult negotiations, which involved unimaginable details, proceeded from beginning to end in a friendly atmosphere, which fully showed a spirit of cooperation. I believe that the Hong Kong people will be very pleased at our conclusion of the agreement today."

Nuclear power counsellor to the French Embassy in China, Gourievidis said: "Moving indeed is the enthusiasm and initiative that the two sides have shown in the past several months in trying to conclude the agreement we have signed today. It can be predicted that this good start will be of great significance to the construction of the nuclear power plant in the future. The signing ceremony today is a good beginning of the cooperation between our two countries in the field of the nuclear power industry. We hope to establish long-term cooperative relations with China from now on."

Present at today's memorandum signing ceremony were Zan Yuanlong, Peng Shilu, Chen Zengqing (director of the nuclear power office under the State Council), and Pan Yansheng, who represented the Chinese side; and Sir Jack Cater, responsible person appointed by the Hong Kong partner of the joint company.

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